

Finansinspektionen's Regulatory Code

Publisher: Finansinspektionen, Sweden, www.fi.se
ISSN 1102-7460



This translation is furnished solely for information purposes. Only the printed version of the regulation in Swedish applies for the application of the law.

Finansinspektionen's regulations regarding pension foundations;

FFFS 2019:19

Published
04 December 2019

decided on 28 November 2019.

Finansinspektionen prescribes¹ the following pursuant to Chapter 5, section 9 of the Institutions for Occupational Retirement Provision Ordinance (2019:809).

Chapter 1 Scope and definitions

Section 1 These regulations contain provisions that supplement the Safeguarding of Pension Commitments, etc. Act (1967:531).

These regulations specify

- the information a pension foundation shall provide and how the information shall be provided (Chapter 2),
- the required content of a pension foundation's policy documents (Chapter 3), and
- the required content of a pension foundation's investment guidelines and impact analysis (Chapter 4).

Section 2 These regulations apply to such pension foundations as are referred to in section 9a, second or third paragraph of the Safeguarding of Pension Commitments, etc. Act (1967:531).

Section 3 These regulations apply the following definitions:

1. *impact analysis*: the description of the impact of the investment guidelines as referred to in section 16f, second paragraph of the Safeguarding of Pension Commitments, etc. Act (1967:531),
2. *liquidity risk*: the risk of a pension foundation not being able to meet its payment obligations on their due dates without the cost of obtaining the means of payment increasing considerably,
3. *market risk*: the risk of the market value of net assets being negatively affected by a change in the market prices of assets, liabilities and financial contracts,
4. *counterparty risk*: the risk of the market value of assets being negatively affected by deficiencies in payment ability or deterioration in the credit standing among the foundation's counterparties,

¹ Cf. Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) in its original wording.

5. *investment guidelines*: the general policy document the pension foundation uses as a basis for its investments,

6. *investment risk*: market risk, counterparty risk and liquidity risk,

7. *investment strategy*: the strategy of the pension foundation for investing assets in relation to the nature and duration of the pension commitments which the foundation has the purpose of securing, and

8. *supervisory authorities*: Finansinspektionen and the competent county administrative board for the foundation in question.

Chapter 2 Information regarding the foundation and its operations

Section 1 Provisions that a pension foundation shall provide information about the foundation and its operations are set out in section 101 of the Safeguarding of Pension Commitments, etc., Act (1967:531).

The information shall include

1. the name, address, and telephone number or email address of the foundation,
2. the Member State in which the foundation is registered or authorised,
3. the authorities that are the foundation's supervisory authorities,
4. the foundation's investment profile,
5. the mission of the foundation and how this mission will be achieved, and
6. the financial position of the foundation.

When taking into account environmental factors, climate factors, social factors or corporate governance factors in an investment decision, the pension foundation shall also provide information about this and the manner in which these factors are taken into account.

A pension foundation shall disclose which information the foundation is obligated to provide upon request.

Section 2 A pension foundation shall make the information referred to in section 1 available on its website.

If the foundation does not have its own website, the information shall be made available on another website that can be easily accessed.

The foundation shall provide the information on paper at the request of

- the party for which the foundation safeguards the pension commitment, or
- the party being offered pension benefits that are safeguarded by the foundation.

Section 3 Information referred to in section 1 shall be provided in Swedish and formulated in a simple and comprehensible manner.

The information shall be updated regularly and may not be misleading.

Section 4 A pension foundation shall provide its by-laws at the request of

- the party for which the foundation safeguards the pension commitment, or
- the party being offered pension benefits that are safeguarded by the foundation.

Section 5 A pension foundation shall provide at no charge the information as set out in sections 1 and 4. The same applies for the information the foundation shall provide in accordance with section 10l, second paragraph of the Safeguarding of Pension Commitments, etc., Act (1967:531).

Chapter 3 Content of policy documents

Guidelines for risk management

Section 1 A pension foundation's guidelines for risk management shall contain an account of

1. the tasks to be carried out by the risk management function,
2. the organisation of the risk management function,
3. the processes and procedures in place for identifying, measuring, managing and reporting significant risks in the operations, including operational risks, investment risks, and risks subject to outsourcing contracts, and
4. how and when the risk management function shall report significant results and recommendations to the board of directors.

Section 2 With regard to investment risks, a pension foundation may refer in its guidelines for risk management to the investment guidelines the foundation prepares in accordance with section 16f of the Safeguarding of Pension Commitments, etc., Act (1967:531).

Provisions regarding the content of investment guidelines are set out in Chapter 4.

Guidelines for internal audit

Section 3 A pension foundation's guidelines for internal audit shall contain an account of

1. the tasks to be carried out by the internal audit function,
2. the organisation of the internal audit function,
3. how the internal audit function evaluates suitability and effectiveness of the internal control system and other parts of the corporate governance system, including parts subject to outsourcing contracts, and
4. how and when the internal audit function shall report significant results and recommendations to the board of directors.

Guidelines for activities subject to an outsourcing contract

Section 4 A pension foundation's guidelines for activities subject to an outsourcing contract shall contain an account of

1. the pension foundation's selection process for service providers,
2. the pension foundation's procedures for following up activities subject to an outsourcing contract, and
3. which person(s), functions or position within the pension foundation is responsible for the follow-up.

The guidelines shall also contain an account of the pension foundation's processes and procedures for ensuring that an outsourcing contract does not lead to

1. a decline in the quality of the corporate governance system,
2. a substantial increase in the operational risks,
3. a deterioration in the supervisory authorities' possibilities for exercising supervision, or
4. the activities cannot be carried out continuously.

Contingency plan

Section 5 A pension foundation's contingency plan shall contain a description of how the foundation ensures that the activities can be carried out continuously. The pension foundation shall describe in particular in the description which measures it will take if there is a need to take back the outsourced activities.

Remuneration policy

Section 6 A pension foundation's remuneration policy shall contain a description of

1. the general principles for remuneration applied by the foundation, and
2. the measures the foundation takes to avoid conflicts of interest.

Section 7 The content of the remuneration policy shall agree with the pension foundation's activities, risk profile, targets, long-term interests, financial stability and overall financial performance as well as with the long-term interests of the persons whose pension benefits the foundation is safeguarding.

Section 8 The content of the remuneration policy may not create incentives for risk-taking that is not in line with the pension foundation's risk profile and rules.

Chapter 4 Content of investment guidelines and impact analysis

Investment guidelines

Section 1 A pension foundation's investment guidelines shall include information about their purpose.

Investment strategy

Section 2 With regard to investment strategy, the investment guidelines shall contain

1. a general description of the assets the pension foundation may invest in,
2. information about the pension foundation's return target and how it intends to reach this target,
3. a general description of the nature and duration of the pension commitments which the foundation has the purpose of safeguarding.
4. a description of the pension foundation's strategic allocation that specifies the allowed distribution of investments, broken down by asset class, in various

investment forms and on various markets as well as allowed deviations from this distribution, and

5. information about how the pension foundation, where relevant, considers environmental factors, social factors and corporate governance factors in its investment decisions.

Section 3 If a pension foundation uses derivative instruments, it shall describe in its investment guidelines how these instruments facilitate efficient portfolio management or contribute to the mitigation of the risks in the foundation's management.

Organisation for risk management

Section 4 With regard to the organisation for managing investment risks, the investment guidelines shall contain

1. a general description of the pension foundation's organisation for the management of investment risks,
2. information about existing decision-making bodies,
3. a description of the pension foundation's risk management procedure, and
4. an account of existing governance documents.

Measurement of investment risks

Section 5 With regard to measurement of investment risks, the investment guidelines shall contain

1. a description of the pension foundation's methods for measuring market risks.
2. information about stress tests and scenario analyses of extreme market fluctuations, and
3. a description of how the pension foundation measures counterparty risks, even in cases where the counterparties are states, and manages liquidity risks.

In the description referred to in the first paragraph, point 3, a pension foundation shall specify in particular if the foundation may invest in securities issued by an employer whose pension commitments are secured by the foundation.

Risk control and risk monitoring

Section 6 With regard to measurement of risk control and risk monitoring, the investment guidelines shall contain

1. a general description of the pension foundation's processes for risk control and risk monitoring,
2. an account of the pension foundation's monitoring of investment risks,
3. a description of how the pension foundation ensures satisfactory and independent risk control,
4. a description of the limits or other thresholds determined by the pension foundation, and
5. a description of how the pension foundation, where relevant, works with normal or benchmark portfolios.

Section 7 The investment guidelines shall provide a schematic description of the pension foundation's reporting of investment risks, limits and other thresholds.

A pension foundation shall specify in the description which reports it regularly prepares and their content. The foundation shall also specify the person(s) at the foundation responsible for preparing the reports and person(s) receiving them.

Impact analysis

Section 8 A pension foundation's impact analysis shall contain

1. a description of the foundation's assets,
2. a quantification of the expected returns and risk of the selected investment strategy,
3. the calculations upon which this quantification is based, and
4. a description of the expected impact on the pension foundation's assets from environmental, social and corporate governance factors, if the foundation has taken such factors into account in its investment decisions.

These regulations shall enter into force on 15 December 2019, whereupon Finansinspektionen's regulations (FFFS 2015:11) regarding investment guidelines and impact analyses for pension foundations shall be repealed.

ERIK THEDÉEN

Anna Wedin