

Memorandum



Date 2024-12-06
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FI Ref. 24-30038

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Biennial review of the systemic risk buffer

Summary

According to the Capital Requirements Directive, Finansinspektionen (FI) must review the systemic risk buffer every second year.¹ FI has therefore reviewed the arguments set out in the most recent decision. FI makes the assessment that these arguments are still valid, and therefore the three major banks, SEB, Handelsbanken and Swedbank, must continue to maintain a systemic risk buffer of 3 per cent at group level for all exposures.

Background

According to Article 133(8)(b) of the Capital Requirements Directive, which was implemented into Swedish law through section 14 of the Special Supervision and Capital Buffers Ordinance (2014:993), the systemic risk buffer must be reviewed by the competent or appointed authority (FI) as a minimum every second year. The three major banks have had a systemic risk buffer requirement of 3 per cent at group level since 1 January 2015. Amendments to the Capital Requirements Act entered into force on 29 December 2020, impacting how the systemic risk buffer is to be applied.² In conjunction with this, FI passed a decision to maintain the required systemic risk buffer of 3 per cent for the three major banks.³ FI most recently performed a review of the systemic risk buffer in 2022⁴; therefore, the

¹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (called the Capital Requirements Directive).

² Directive (EU) 2019/878 Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU.

³ <https://www.fi.se/sv/publicerat/sarskilda-pm-beslut/2020/fi-har-fattat-beslut-om-kapitalbuffertar-for-storbankerna/>. Available in Swedish.

⁴ <https://www.fi.se/en/published/news/2022/fi-maintains-level-of-systemic-risk-buffer-for-major-banks/>.

systemic risk buffer needs to be reviewed no later than 31 December of this year. This memorandum specifies FI's conclusion regarding this review.

Conclusion

FI has reviewed the arguments for the three major banks to have a systemic risk buffer of 3 per cent at group level, which is presented in the decision memorandum that the authority published for each bank in December 2020. FI's assessment is that these arguments continue to be valid. FI also makes the assessment that the size of the buffer that was specified is still suitable.

The reason is primarily to counteract the structural systemic risk that arises due to the strong similarities between these company groups. The risk that a problem in a major bank coincides with problems in the other two major banks is thus significantly larger than for the other banks in the market. Since the three major banks also represent a large portion of the market, the impact of any problems that arise are even more serious.

Given this background, FI does not intend to change the Swedish systemic risk buffer. Skandinaviska Enskilda Banken AB, Svenska Handelsbanken AB and Swedbank AB must therefore continue to maintain a systemic risk buffer of 3 per cent at group level for all exposures.

Next steps

FI will perform a new review of the systemic risk buffer no later than 31 December 2026.