

MEMORANDUM



Datum 2018-11-13

FI Dnr 18-19677

Finansinspektionen
Box 7821
SE-103 97 Stockholm
[Brunnsgatan 3]
Tel +46 8 408 980 00
Fax +46 8 24 13 35
finansinspektionen@fi.se
www.fi.se

Biennial Review of the Systemic Risk Buffer

Summary

As outlined in the capital requirements directive, FI must review the systemic risk buffer on an biennial basis. FI has reviewed the arguments originally set out to support a SRB buffer level of 3% at consolidated level for the major banking groups¹ and finds the arguments to still hold today for the three remaining major banking groups, following Nordea's re-domicile. As such, this review has not caused FI to make any adjustments to the current SRB in Sweden.

Background

As set out in Article 133, paragraph 10b of The Capital Requirements Directive (CRD IV)² as implemented in Swedish law through chapter 4 of the buffer act³, the systemic risk buffer (SRB) must be reviewed by the competent or designated authority (Finansinspektionen) at least every second year. This is a regular process and since it was decided that an SRB of 3% should be held by the four major banks in Sweden as of 1 January 2015, the last biennial review was conducted in Q4 2016⁴. As such, Finansinspektionen (FI) must therefore conduct a review of the SRB before 1 January 2019. This note describes the conclusions of that review.

Review Conclusions

FI has reviewed the arguments presented in the original memo⁵ for setting the SRB at 3% and finds that the concerns it outlines are still valid today and the proposed size of the buffer remains appropriate. Despite Nordea's re-domicile of its headquarters to Finland on 1 October 2018, the Swedish market remains characterised by large, interlinked banking groups operating in a concentrated market with similar business models, assets, and exposures.

The concentration in the Swedish market means that the potential impact and negative effects for the real economy in Sweden which could result from the failure of any one of these groups could be serious. This does not mean that Sweden is at great risk of a financial crisis, but instead that were one to occur, the consequences could be particularly severe.

¹ SEB, Handelsbanken and Swedbank

² Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013.

³ The Capital Buffers Act (2014:966)

⁴ <https://www.fi.se/en/published/news/2016/biennial-review-of-the-systemic-risk-buffer/>

⁵ <https://www.fi.se/contentassets/91a11ceca3f54525a4a0a24dbb514cf5/kapitalkrav-svenska-banker-140910enny.pdf>

As such, no adjustments to the current SRB will be made at this point. The three major banking groups will continue to be required to hold a systemic risk buffer of 3 per cent at consolidated level. Separately, the Finnish Authorities have also decided to introduce a 3% SRB for Nordea which will affect the Nordea entities operating in Sweden⁶.

Next Steps

In line with Article 133 paragraph 10b, the next review of the SRB will need to be conducted before 1 January 2021.

⁶ http://www.fin-fsa.fi/en/Supervision/Macroprudential_supervision/Documents/Systemic_risk_buffer_decision_29062018.pdf