

Finansinspektionen's Regulatory Code

Publisher: Chief Legal Counsel Eric Leijonram, Finansinspektionen, Sweden, www.fi.se
ISSN 1102-7460



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Regulations

amending Finansinspektionen's regulations (FFFS 2010:7) regarding the management and disclosure of liquidity risks for credit institutions and investment firms;

FFFS 2021:16

Published on
30 June 2021

decided on 22 June 2021.

Finansinspektionen prescribes pursuant to Chapter 5, section 2, point 5 of the Banking and Financing Ordinance (2004:329) and Chapter 6, section 1, point 9 of the Securities Market Ordinance (2007:572) that Chapter 1, sections 2 and 4; Chapter 2, sections 5 and 7; Chapter 3, sections 1, 4 and 10; and Chapter 5, section 1 of Finansinspektionen's regulations (FFFS 2010:7) regarding the management and disclosures of liquidity risks for credit institutions and investment firms shall have the following wording.

Chapter 1

Section 2 These regulations apply to

1. banking companies,
2. savings banks,
3. members' banks,
4. credit market companies,
5. credit market associations, and
6. securities companies as referred to in Chapter 1, section 2, first paragraph, point 7c–f of the Credit Institutions and Securities Companies (Special Supervision) Act (2014:968).

A parent undertaking shall also apply the regulations based on the undertaking's consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation. Text referring to the board of directors and managing director shall subsequently apply to the parent undertaking's board of directors and managing director.

An undertaking that is part of a consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation does need to individually fulfil the requirements set out in Chapter 4, section 5 if it together with other undertakings in the group fulfils the requirements at the group level and

1. there is a legally binding commitment for sufficient liquidity support between the undertaking and the undertaking where the liquidity reserve is held, and
2. the liquidity is freely transferable between these undertakings.

A subsidiary that is part of a consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation that is subject to group supervision within the EEA

does not need to individually fulfil the requirements set out in Chapter 4, section 5 if the undertaking is subject to national legislation on the management of liquidity risk that corresponds to these regulations.

An undertaking that is part of a consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation does need to individually fulfil the requirements set out in Chapter 5 if the parent undertaking fulfils the requirements on the basis of the consolidated situation.

Section 4 These regulations apply the following definitions:

– *subsidiary*: an institution or a financial institution that in accordance with Article 4(16) of the Capital Requirements Regulation is a subsidiary to a parent undertaking,

– *liquidity risk*: the risk of not being able to meet payment obligations on their due dates without the cost of obtaining the funds increasing considerably,

– *parent undertaking*: the undertaking that pursuant to Article 11(3) of the Capital Requirements Regulation is responsible for the requirements placed on the basis of a consolidated situation being met,

– *Capital Requirements Regulation*: Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012,

– *securities companies*: a security company pursuant to Chapter 1, section 4b of the Securities Market Act (2007:528).

Chapter 2

Section 5 Guidelines and instructions for the management of liquidity risk shall ensure that the undertaking monitors and meets future liquidity needs during both normal daily management and temporary and drawn-out crisis situations. Such documents shall also provide instructions for the division of responsibility and tasks, measurement methods, limits, follow-up and reporting. The guidelines and instructions shall refer to the undertaking as a whole including any branches and, where applicable, coordination between them.

A subsidiary that is included in a consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation, when preparing its own guidelines, instructions and strategies, shall consider the guidelines and instructions that apply to the group.

Section 7 Every undertaking shall have a central function for the independent control of liquidity risk (liquidity risk control) that reports to the managing director or a member of senior management who is not responsible for position-taking units. The central liquidity risk control function shall be knowledgeable about financial instruments, liquidity risks and methods for governance and control of liquidity risks.

If the undertaking has a central function for risk control, the liquidity risk control can be carried out by this function.

If the undertaking is part of a consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation, the central function for liquidity control may be placed in the parent undertaking. The central liquidity risk control function is

responsible for the regular reporting and analysis of the undertaking's, and where applicable the group's, liquidity risks.

If an undertaking has placed a function for liquidity risk control locally within a position-taking unit, the local function shall report to the central liquidity risk control function or the central risk control function if one exists.

A subsidiary that is part of a consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation shall adapt its liquidity risk control function to the group-wide liquidity risk control function.

Chapter 3

Section 1 An undertaking shall identify and measure its exposures to liquidity risks and funding needs within and across business lines and currencies.

A parent undertaking shall consider in particular and document any legal and operational limitations to freely transferring liquidity and securities between undertakings within the consolidated situation in accordance with Article 18(1) of the Capital Requirements Regulation.

Section 4 An undertaking shall calculate the cash flows expected to arise when all assets, liabilities and off-balance sheet items are settled. Cash flows shall be allocated to the various horizons in which they are normally expected to occur. However, cash flows from assets in the liquidity reserve in accordance with Chapter 4 shall be attributed to the earliest horizon in which the asset can be converted into funds.

The undertaking shall use daily horizons in its calculation. Unless because of its size it is deemed inappropriate or unreasonable to use daily horizons, the undertaking may use a minimum of seven horizons:

one day,
 more than one day and up to one week,
 more than one week and up to one month,
 more than one month and up to three months,
 more than three months and up to six months,
 more than six months and up to one year,
 more than one year.

The horizons shall be mutually exclusive and collectively exhaustive. A parent undertaking shall also always use daily horizons up to one year based on the undertaking's consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation.

The undertaking shall calculate the net cash flow for each horizon as the sum of the expected cash outflows minus the sum of the expected cash inflows. The undertaking shall thereafter accumulate the net cash flow across all horizons in order to demonstrate how long it has a positive cash flow.

Section 10 A subsidiary that is part of a consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation may consider its role and position in the group when applying sections 7–9.

Chapter 4

Section 10 A subsidiary that is part of a consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation may consider its role and position in the group when applying sections 9.

Chapter 5

Section 1 An undertaking shall disclose at least once a year the information set out in sections 7–9. The information shall refer to the circumstances on the balance sheet date for the undertaking's annual accounts or, where applicable, the consolidated accounts that include the undertakings that are part of the consolidated situation pursuant to Article 18(1) of the Capital Requirements Regulation.

The information shall be made public in conjunction with the publication of the annual accounts or the consolidated accounts.

The information shall contain a statement that it is in reference to the information that shall be submitted annually in accordance with these regulations.

These regulations shall enter into force on 07 July 2021.

ERIK THEDÉEN

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