

Finansinspektionen's Regulations

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Regulations regarding amendments to Finansinspektionen's Regulations and General guidelines (FFFS 2007:1) governing capital adequacy and large exposures;

decided on 30 June 2008.

Finansinspektionen prescribes the following pursuant to Section 32 of the Capital Adequacy and Large Exposures Ordinance (2006:1533) concerning Finansinspektionen's regulations regarding capital adequacy and large exposures (FFFS 2007:1) that Chapter 4, sections 1–3, Chapter 25, sections 3 and 23, Chapter 35, sections 6, 7 and 9, Chapter 37, section 3 and Chapter 55, sections 3 and 14 shall have the following wording:

Chapter 4

Section 1 An institution or a financial corporate group shall report to Finansinspektionen information about the calculation of own funds, capital requirements and large exposures in accordance with the form in *Appendix 2* that is available on Finansinspektionen's website. An institution that is subject to group reporting for a financial corporate group and which is not a responsible institution in accordance with Chapter 9, section 3 of the Capital Adequacy and Large Exposures Act (2006:1371), shall only report information pursuant to sections A, B, P and Q.

An investment firm which, in accordance with Chapter 3, section 6, first paragraph, point 2 of the Securities Market Act (2007:528) compared with Chapter 3, section 7, second paragraph of the same Act, shall have own funds corresponding to at least EUR 730,000, and also report information on the ratio of own funds for capital adequacy purposes and the total capital requirement (own funds ratio) in accordance with the form contained in *Appendix 6*, which is available on Finansinspektionen's website.

Section 2 When a financial corporate group exists in accordance with Chapter 9, section 2, first paragraphs, points 1–2a of the Capital Adequacy and Large Exposures Act, the institution referred to in Chapter 9, section 3, of the same Act shall be responsible for the group reporting as set out in section 1, first paragraph.

Section 3 The reporting in accordance with section 1, first paragraph, shall be submitted as of 31 March, 30 June, 30 September and 31 December (balance sheet dates). Finansinspektionen shall have received the information not later than 30 April, 10 August, 31 October and 31 January, respectively. If the balance sheet date coincides with the annual accounting date, Finansinspektionen shall receive the information not later than the twentieth business day of the second month following the balance sheet date.

Reporting following section 1, second paragraph, shall be submitted on the last day of January, February, April, May, July, August, October and November (balance sheet dates). Finansinspektionen shall have received the information not later than the last day of the month following the balance sheet date.

Chapter 25

Section 3 Interest-bearing securities issued by credit institutions and investment firms authorised by Chapter 2, section 2, first paragraph, points 2 and 8 of the Securities Market Act (2007:528) and corresponding foreign undertakings but which have not been subject to an external credit assessment are nevertheless eligible provided that the following conditions are met:

1. They are traded on a regulated market.
2. They are not subordinated.
3. Where there are other interest-bearing securities issued by the same counterparty with the same seniority for which there is an external credit assessment, all of these interest-bearing securities' external credit assessments shall correspond to credit quality 3 or better.
4. The institution has no information indicating that the liquidity of the interest-bearing securities is insufficient.

Section 23 The volatility adjustment may be set to 0% if the following conditions are met:

1. The exposure and its collateral are interest-bearing securities issued by governments and central banks and assigned a 0% risk weight.
2. The exposure and its collateral are denominated in the same currency.
3. The maturity of the transaction is a maximum of one day, alternatively that the mark-to-market margin for both the exposure and collateral is set daily.
4. The institution assesses that the time between the last market valuation and realisation of the collateral will not exceed four business days in situations where the counterparty fails to fulfil its obligation to set a mark-to-market margin.
5. The transaction is cleared and settled in a clearing and settlement system which has been proven to be suitable for this type of transaction.
6. The agreement governing the transaction is a standard market agreement for repurchase transactions and securities lending transactions.
7. Pursuant to the agreement, the transaction may be terminated immediately if the counterparty fails to fulfil its obligation to deliver cash or securities or to provide collateral or if the counterparty in any other way fails to fulfil its obligations.
8. The counterparty is one of the following:
 - a) governments and central banks assigned a 0% risk weight,
 - b) credit institutions or investment firms authorised in accordance with Chapter 2, section 2, first paragraph, points 2 and 8 of the Securities Market Act (2007:528) and equivalent foreign institutions,
 - c) other financial institutions or insurance companies assigned a 20% risk weight,

- d) fund management companies or equivalent foreign undertakings that are obligated by law to meet a capital adequacy requirement.
- e) pension institutions,
- f) clearing organisations.

Chapter 35

Section 6 In addition to the exceptions addressed in the Capital Adequacy Ordinance, the following exposures shall also be excluded when determining an institution's large exposures.

1. Exposure amounts for exposures to international organisations or multilateral development banks are assigned a 0% risk weight in accordance with Chapter 16.

Exposure amounts for exposures covered by recognisable financial collateral in the form of interest-bearing securities issued by the counterparties referred to in the first paragraph.

2. Exposure amounts for exposures to public sector entities which are assigned a 0% risk weight in accordance with Chapter 16.

Exposure amounts for exposures covered by recognisable financial collateral in the form of interest-bearing securities issued by the counterparties referred to in the first paragraph.

3. Exposure amounts for exposures for which there is adequate collateral in the form of cash on deposit with the lending institution or with an institution which is the parent undertaking or a subsidiary of the lending institution, or in the form of cash received for a credit linked note issued by the institution or deposits or loans received from a counterparty to the institution that are included in a netting agreement for on-balance sheet items approved in accordance with Chapter 26.

Exposure amounts for exposures for which there is adequate collateral in the form of certificates of deposit issued by the lending institution or an institution which is the parent undertaking or a subsidiary of the lending institution and lodged with either of them.

4. Exposure amounts for exposures with a residual maturity of a maximum of one year to a credit institution in Sweden, investment firms which have Finansinspektionen's consent to accept funds on account in accordance with Chapter 2, section 2, first paragraph, point 8 of the Securities Market Act (2007:528) or foreign credit institution with a registered office in a country within the EEA. In no case may the item constitute the issuing institution's own funds.

Exposure amounts for exposures to foreign credit institutions with a registered office in a country outside the EEA may, after obtaining the consent of Finansinspektionen, be excluded in accordance with the first paragraph.

Section 7 An institution shall include the following exposures using the values set out below when determining their large exposures:

1. Exposure amounts for exposures with a residual maturity of more than one year but a maximum of three years to a credit institution in Sweden, investment firms which have Finansinspektionen's consent to accept funds on account in accordance with Chapter 2, section 2, first paragraph, point 8 of the Securities Market Act

(2007:528) or foreign credit institution with a registered office in a country within the EEA, shall be included at 20 per cent of its value.

Debt securities issued in pursuant to the Covered Bonds (Issuance) Act (2003:1223) and equivalent foreign debt securities with a residual maturity of more than one year but a maximum of three years shall be included at 10 per cent of their value. In no case may the items constitute the issuing institution's own funds.

Exposure amounts for exposures to foreign credit institutions with a registered office in a country outside the EEA may, after obtaining the consent of Finansinspektionen, be treated in accordance with the first paragraph.

2. Exposure amounts for exposures covered by recognisable financial collateral in the form of interest-bearing securities issued by a credit institution in Sweden shall be included at 20 per cent of their value if the value of the collateral is at least 150 per cent of the value of the exposure and there is no maturity mismatch in accordance with Chapter 25, section 10 between the exposures and the collateral. In no case may the item constitute the issuing institution's own funds.

3. Exposure amounts for exposures in the form of holdings of bonds issued by a credit institution in Sweden, investment firms which have Finansinspektionen's consent to accept funds on account in accordance with Chapter 2, section 2, first paragraph, point 8 of the Securities Market Act (2007:528) or a foreign credit institution with a registered office in a country within the EEA shall be included at 50 per cent of their value on the condition that the bonds have a residual maturity of more than three years and are effectively negotiable on a market comprised of professional operators and are subject to daily quotation on that market.

Exposure amounts for exposures in the form of holdings of debt securities issued in accordance with the Covered Bonds (Issuance) Act (2003:1223) and equivalent foreign debt securities with a residual maturity of more than three years shall be included at 25 per cent of their value. In no case may the items constitute the issuing institution's own funds.

Exposure amounts for exposures to foreign credit institutions with a registered office in a country outside the EEA may, after obtaining the consent of Finansinspektionen, be treated in accordance with the first paragraph.

4. Documentary credits of a medium to low risk character for which delivered goods constitute collateral shall be included at 50 per cent of the nominal amount.

Section 9 An institution may, as an alternative to complying with section 6, subsection 4 and section 7, subsections 1 and 3, apply the following method instead:

Exposure amounts for exposures to credit institutions in Sweden, investment firms which have received Finansinspektionen's consent to accept funds on deposit in accordance with Chapter 2, section 2, first paragraph, point 8 of the Securities Market Act (2007:528) or a foreign credit institution with a registered office in a country within the EEA, may be included at 20 per cent of its value regardless of maturity.

Exposure amounts for exposures to foreign credit institutions with a registered office in a country outside the EEA may, after obtaining the consent of Finansinspektionen, be treated in accordance with this paragraph.

Chapter 37

Section 3 *Exposures to institutions* refer to exposures to credit institutions and investment firms which are authorised in accordance with Chapter 2, section 2, first paragraph, points 2 and 8 of the Securities Market Act (2007:528) and equivalent foreign institutions. This exposure class also includes exposures to:

1. a foreign local authority or equivalent public body if it is not treated as a government exposure in the country in question,
2. a public body which according to the standardised approach for credit risks may be treated as exposures to institutions.
3. a multilateral development bank which is not assigned a risk weight of 0% in accordance with the standardised approach for credit risks, and
4. Sveriges Allmänna Hypoteksbank.

Chapter 55

Section 3 Interest-bearing securities issued by credit institutions and investment firms authorised by Chapter 2, section 2, first paragraph, points 2 and 8 of the Securities Market Act (2007:528) and corresponding foreign undertakings which have not been subject to an external credit assessment by an eligible credit rating institution are still eligible provided that the following conditions are met:

1. They are traded on a regulated market.
2. They are not subordinated.
3. Where there are other interest-bearing securities issued by the same counterparty with the same seniority for which there is an external credit assessment from an eligible credit assessment institution, all of these interest-bearing securities shall correspond to credit quality step 3 or better.
4. The institution has no information indicating that the liquidity of the interest-bearing security is insufficient.

Section 14 An institution which does not use the internal method in accordance with Chapter 56, sections 15–24, may set the volatility adjustment at 0% if the following conditions are met:

1. Both the exposure and its collateral are securities as specified in section 2, subsection 2.
2. The maturity of the transaction is a maximum of one day, alternatively that the mark-to-market margin for both the exposure and collateral is set daily.
3. The exposure and collateral are expressed in the same currency.
4. The institution assesses that the time between the last market valuation and realisation of the collateral will not exceed four business days, where the counterparty fails to fulfil its obligation to set a mark-to-market margin.
5. The transaction is cleared and settled in a clearing and settlement system suitable for this type of transaction.

6. The agreement governing the transaction is a standard market agreement for repurchase transactions and securities lending transactions.

7. Pursuant to the agreement, the transaction may be terminated immediately if the counterparty fails to fulfil its obligation to deliver cash or securities or to provide collateral or if the counterparty fails to fulfil its obligations in any other way.

8. The counterparty is one of the following:

a) Counterparties specified in section 2, subsection 2 and whose liabilities have a 0% risk weight in the standardised approach for credit risks.

b) Credit institutions or investment firms authorised in accordance with Chapter 2, section 2, first paragraph, points 2 and 8 of the Securities Market Act (2007:528) and equivalent foreign undertakings.

c) Other financial institutions or insurance companies whose liabilities have a 20% risk weight in the standardised approach for credit risks or, if the counterparty does not have a credit assessment by an eligible credit assessment institution, having liabilities assigned to an internal grade that has a PD that corresponds to the PD of the credit assessment of an eligible credit assessment institution corresponding to credit quality step 2.

d) Fund management companies or equivalent foreign companies that are obligated by law to meet a capital adequacy requirement.

e) Pension institution,

f) Clearing organisation.

These regulations shall enter into force on 1 December 2008.

ERIK SAERS

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