Finansinspektionen’s Regulatory Code

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

FFFS 2014:27
Published on
9 July 2014

Regulations
amending Finansinspektionen’s Regulations (FFFS 2012:6) regarding requirements for a liquidity coverage ratio and reporting of liquid assets and cash flows;

decided on 26 June 2014.

Finansinspektionen prescribes pursuant to Chapter 5, section 2, points 5 and 11 of the Banking and Financing Business Ordinance (2004:329) and Chapter 6, section 1, points 10 and 63 of the Securities Market Ordinance (2007:572) that Chapter 1 sections 2–4, Chapter 3, sections 2, 6 and 7 and Chapter 4 sections 2 and 17 of Finansinspektionen’s Regulations (FFFS 2012:6) regarding requirements for a liquidity coverage ratio and reporting of liquid assets and cash flows 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. investment firms.

A parent company shall also apply the regulations on the basis of the undertaking’s consolidated situation according to Article 18(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amendment of Regulation (EU) No 648/2012.

A firm that is included in the consolidated situation in accordance with Article 18(1) of the regulation does not need report information about its own liquidity risk to Finansinspektionen or fulfil the requirement on liquidity coverage ratios set out in Chapter 2 if these requirements shall be fulfilled by the group.

Section 3 The regulations apply to firms which, as of 30 September, have a balance sheet total exceeding SEK 100 billion. They shall also be applied on the basis of an undertaking’s consolidated situation according to Article 18(1) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms if the firms in the group have a joint balance sheet total exceeding SEK 100 billion as of 30 September.

The requirements set out in these regulations apply to the subsequent calendar year even if the balance sheet total is at any time below the level specified in the first paragraph.

Section 4 These terms and expressions shall have the following meaning:

–*calculation date:* the last day of each calendar month,

– *derivatives*: financial derivative instruments and spot foreign exchange transactions,

– *financial derivative instruments:* derivative instruments as set forth in Chapter 1, section 4, point 5 of the Securities Market Act (2007:528).

– *financial customers*: customers which primarily conduct one or several of the operations set forth in Chapter 7, section 1 of the Banking and Financing Business Act (2004:297); credit institutions, investment firms, securitisation special purpose entities, collective investment undertakings, non-open ended investment schemes, insurance undertakings, financial holding companies and financial holding companies with mixed operations and their foreign equivalents.

– *financial commitments*: agreements which give rise to a financial asset for one party, while the other party incurs a financial liability or issues a certificate of ownership and financial instruments,

– *extension*: an agreement between a firm and a customer regarding refinancing of lending to the customer falling due within 30 calendar days with a new loan to the same customer within 30 calendar days.

– *group of associated legal persons:* two or more firms

1. that are included in the same company group or in an equivalent group of undertakings,
2. where one or several firms exercise(s) a determininginfluence over other firms without being included in a company group or an equivalent group of undertakings,
3. where a firm is an associated company to another firm,
4. where a firm exercises determining influence in terms of operational and financial control, or exercises such influence over another firm without either of the firms being an associated company to the other, and
5. which have an agreement to jointly run financial operations and to jointly exercise a determining influence over these operations,

– *liquidity facilities:* facilities which may only be utilised by a counterparty if its maturing market funding cannot be refinanced,

– *credit facilities:* facilities which are not liquidity facilities,

– *cash:* cash, account balances and electronic money in accordance with the Electronic Money Act (2011:755),

– *liquidity coverage ratio:* liquid assets according to Chapter 3 divided by cash outflows according to Chapter 4 after deduction of cash inflows according to Chapter 5, and

– *parent company:* the firm according to Article 11(3) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms that is responsible for the requirements placed on the basis of a consolidated situation being met.

Chapter 3

Section 2 A firm shall consider an asset as is referred to in section 6 point 4 or section 7 as liquid if the following requirements are met:

1. The asset is controlled by one of the functions at the firm that is responsible for its liquidity management. Such a function shall have the right and ability to convert the asset into cash.

2. The asset is not issued by the firm or by another firm included in the consolidated situation in accordance with Article 18(1) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms in which the firm is also included.

Section 6 A firm, when calculating if the requirement set out in Chapter 2, section 1 is fulfilled, shall multiply the market value of the following assets by 100 per cent if they are liquid pursuant to section 2 or 3.

1. Cash.

2. Balances at central banks or similar government organisations, if these are available on the following business day even in a situation of liquidity stress. A balance is also deemed to be available on the following business day if it

a) matures later than the following business day and the firm has a contractual right to early redemption of such an investment as soon as on the following day, provided that any penalty fees are first deducted, or

b) matures later than the following business day and the firm has a contractual right to borrow against the balance.

3. Securities issued by sovereigns or central banks, in the sovereign's domestic currency, to the extent that they equal the firm's net cash outflow in the same currency, provided that the securities are not issued in EUR.

4. Securities, besides those covered by point 3, with a zero risk weight in accordance with the standardised approach for credit risk as set out in Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms with the exception of that described in Article 114(5–7) of the same Regulation.

Section 7 A firm shall, when calculating if the requirement in Chapter 2, section 1 is fulfilled, multiply the following assets at 85 per cent, if they are liquid pursuant to section 2.

1. Securities, with a 20 per cent risk weight according to the standardised approach for credit risk in Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, which are issued or guaranteed by sovereigns, central banks, multilateral development banks or public sector enterprises.

2. Corporate bonds with a credit rating that corresponds to credit quality step 1 in accordance with the technical standards regarding the credit quality steps of credit

assessment institutions as referred to in Article 136 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms,

3. Covered bonds or equivalent foreign debt instruments with a credit rating that corresponds to credit quality step 1 in accordance with the technical standards regarding the credit quality steps of credit assessment institutions as referred to in Article 136 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Chapter 4

Section 2 When calculating if the requirement in Chapter 2, section 1 is fulfilled, the cash outflows consist of the sum of weighted cash outflows from financial commitments that may arise within 30 calendar days and weighted outstanding liabilities from financial commitments in accordance with this chapter.

The outflows arising between firms included in the same consolidated situation in accordance with Article 18(1) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms shall not be considered cash outflows.

Section 17 Outflows in the form of undrawn credit and liquidity facilities in accordance with sections 14–16 for a customer which may be assigned to the household exposures class in accordance with articles 123 or 147(5) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, or equivalent regulations in other countries, shall be weighted at 5 per cent.

These regulations shall enter into force on 2 August 2014.

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