

# MEMORANDUM



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## **Finansinspektionen's approach to setting the countercyclical capital buffer**

### **Introduction**

In *Nya kapitalkrav för svenska banker*<sup>1</sup>, Finansinspektionen (FI) describes how the new capital requirements will be applied after changes to the EU's capital adequacy regulations. The capital requirements include the so-called combined buffer requirement, of which the countercyclical capital buffer is one component. In this memorandum, we present FI's approach to setting the countercyclical capital buffer for affected credit institutions and securities companies.<sup>2</sup>

The countercyclical capital buffer aims to maintain capital in the banking sector for banks to draw on during an economic downturn. This supports credit supply during crises and alleviates the economic downturn. Unlike other capital requirements, the countercyclical buffer is expected to vary over time. The level of the requirement is based primarily on the development in the credit market as a whole, unlike other capital requirements that are based on the banking system's or individual banks' risk-taking.

FI's goal is to be transparent about the considerations that guide the authority's assessments regarding the countercyclical capital buffer. Even if the actual decisions on the buffer rate are always based on an overall assessment of the specific conditions at the relevant point in time, there is a value in communicating some general principles for how FI intends to act in the future. This makes it easier for the banks to understand how we will use the instrument, which will make it function more efficiently. We have therefore chosen to present in this memorandum the considerations that guide the authority's assessments regarding the countercyclical capital buffer.

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<sup>1</sup> FI Ref. 20-20990

<sup>2</sup> Hereafter "banks" except when referring to the legal conditions.