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FI Ref. 20-2425

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## **Response ESRB**

RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD  
of 27 May 2020 on restriction of distributions during the COVID-19 pandemic  
(ESRB/2020/7)

Country of the addressee: Sweden

Institution: Finansinspektionen

Capacity: Macroprudential authority

Name and contact details of the respondent: Sandra Frimann-Clausen,  
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Date of communications: 29 June 2020

### **Recommendation A (a)**

Do you comply? Yes

It is clearly outlined in Recital 9 in the recommendation that regimes vary across sectors and Member States and relevant authorities should consider using any supervisory tool available to them, both under Union and national law, such as recommendations or guidelines, to achieve the objectives of this recommendation, to the extent permitted by law. During the drafting process of the recommendation, Finansinspektionen (FI) pointed out both at the meetings of ATC and GB and in the written procedures for ATC that FI does not have legal possibilities for directly enforcing restrictions on dividend pay-outs on institutions under the supervision of FI as long as capital requirements are fulfilled.

However, FI believes that, at this time, given the uncertainty about future economic developments and thereby of movements in default rates and write-

downs within banks credit portfolios, a very cautious attitude to capital distribution such as dividend pay-outs by financial institutions is warranted.

Therefore, FI has written letters to banks and credit institutions, communicated via its website fi.se, and stated repeatedly in several media interviews that banks and credit institutions should not pay dividends this year due to the high uncertainty about the future.

FI reiterated on its website on 9 April the communication from EIOPA regarding dividend pay-outs, share buy-backs and variable compensation schemes of insurance companies.

FI sent a letter on 26 June to Nasdaq Clearing, the main Swedish CCP, in which FI clarified that the ESRB recommendation on dividends is also directed to CCPs such as Nasdaq Clearing. FI therefore expects Nasdaq Clearing to refrain from dividend pay-outs until the economic situation has become less uncertain.

Finally, FI reiterated ESRB's recommendation on fi.se on 29 June 2020.

Through these measures, FI has called upon the financial institutions under the supervision of FI to restrict capital distribution such as dividends, share-buy backs and variable remuneration and thereby fulfilled the intention of the recommendation.

#### **Recommendation A (b)**

Do you comply? Yes

As with dividend pay-outs, FI lacks legal possibilities for directly restricting share buy-backs and other corporate actions as long as the capital requirements are fulfilled. FI views share buy-backs as another form of distribution of capital to shareholders, which means that Swedish financial institutions are not expected to replace dividend distributions with share buy-backs or other corporate actions. For more information on communication to financial institutions, see the response under recommendation A (a).

#### **Recommendation A (c)**

Do you comply? Yes

FI argues that it is important for financial institutions to carefully consider all forms of capital distribution to ensure that their financial resources are sufficient to maintain the services they provide to the wider financial system and absorb potential losses. However, as with dividend pay-outs, FI lacks legal possibilities for directly restricting variable compensation schemes of financial institutions under the supervision of FI. For more information on communication to financial institutions, see the response under recommendation A (a).

Kind regards,

FINANSINSPEKTIONEN