FINANSINSPEKTIONEN

Priorities in FI's supervision to strengthen consumer protection

27/03/2018

27/03/2018
Ref. 18-5759

TABLE OF CONTENTS

Summary

Finansinspektionen (FI) presents in this report the risks consumers are facing on the financial market and that FI is prioritising in its supervision. One recurring prioritised risk is that consumers will be granted loans that are larger than what their personal finances can handle. Another risk that has been prioritised for a long time is the risk that consumers will be advised to invest in products that are not suitable for them.

Being a consumer on the financial market is different than being a consumer on most other markets. Even if most Swedes are consumers on the financial market, interest in financial products and services in general is low. The proficiency level for simple financial concepts, such as numeracy skills, is also low among many people.[1] Innovation and the search for returns also introduce a level of complexity to the financial market that is difficult for most consumers to comprehend. Taken as a whole, this means that consumers are more vulnerable in several aspects on the financial market than on many other markets.

FI presents in this report the highest prioritised risks posed to consumers on the financial market. The report also aims to describe FI's supervision activities. Several important regulatory packages will enter into force in 2018, making it important for FI to be clear about the expectations the firms are supposed to meet.

The first risk that FI would like to highlight is the risk that consumers will be advised to invest in products that are not suitable for them. The complex environment and uneven playing field that form the financial market create conditions for financial advisory services, to fulfil an important function in helping consumer make well-founded decisions. A fundamental assumption, however, is the advisor prioritises the interests of the consumer. This is often not the case. FI has raised a warning flag for many years about the dangers of commission-based financial advice, which leads consumers to buy unsuitable products in terms of both price and/or risk. This problem could ultimately harm the reputation of the financial market as a whole and will therefore be a priority area in FI's supervision in 2018. The supervision will be anchored in the fact that the rules recently entered into force. FI will place particular focus on how firms that offer advisory services adapt to the new product governance rules and stricter commission rules. FI will also prioritise supervision of firms that present themselves as providing independent advice to ensure that consumers actually receive independent advice.

1 https://www.fi.se/sv/publicerat/nyheter/2018/manga-konsumenter-saknar-grundlaggande-finansiella-kunskaper/

The second risk that FI would like to highlight is the risk that consumers will be granted larger loans than what their personal finances can handle. Offering the possibility to spread out consumption over time is one of the financial market's most important functions. However, if consumers are granted expensive loans that they cannot repay, there is a greater risk that they will become over-indebted – a situation that affects not only the person in debt but also their families. In 2018, FI will enhance its work related to mapping the risks associated with consumption loans. This will be done by reviewing a sample of data related to unsecured loans, revolving loans and object-financed loans from 20 bank and credit market companies. The results of this review will be presented in June 2018. FI will also conduct in-depth supervision investigations of individual consumer credit institutions and verify that the new rules regarding high-cost loans have the intended effect on the market.

A third risk that FI highlights is that many financial products have a complex fee structure. Firms face a financial interest to present their products as competitive through a low fee structure. However, many financial products are constructed in such a complex manner that it is difficult to calculate the total cost. As a result, consumers may buy financial products that are too expensive, which has a major negative impact on returns. In 2018, FI will review the information that the firms must submit according to the new, stricter regulations on cost disclosures and the fees that are charged when transferring insurance policies. The supervision will be anchored in the fact that the rules recently entered into force. Furthermore, during the year FI will map the fees and return of a large number of financial products in order to gain a clearer overview.

Finally, FI would like to highlight the increased sales of particularly risky products to consumers. Consumers exposed to i.e. CFDs, binary options or deposits not covered by the state deposit guarantee run a high risk of losing all their invested or deposited money, and in some cases more. There is also a risk that consumers will be exposed to investment fraud. FI will continue in 2018 to follow the development of these types of products. The tools at FI's disposal include warnings and, in extreme cases, product bans.

In addition to describing the primary risks that FI has identified, the report also presents the themed investigations that FI conducted. These investigations form an important basis on which it is possible to analyse consumer protection as a whole. The report also describes the regulatory development needs that FI identifies as necessary to strengthen consumer protection.

Risks Faced by Consumers in the Financial Market

The core of FI's work is risk-based supervision. FI conducts an annual review of the risks faced by consumers in the financial market. This risk assessment is then used as the basis for FI's supervisory activities. This section contains a description of the principal consumer risks identified by FI for 2018.

The aim of the risk assessment process is to identify and rank in order of severity the consumer protection risks present in each situation. This process is part of FI's supervisory activities and continues constantly. The risks are assessed partly on the basis of the likelihood that something will go wrong, partly on the basis of how extensive the impact on consumers and society may be. The risk assessment is performed with one eye on developments in the wider financial sector and the economy as a whole, and in dialogue with other public authorities and consumer organisations.

INAPPROPRIATE ADVICE

Many consumers require guidance from financial advisers in order to compare and select savings products. There is currently a large number of different actors that offer financial advice to consumers. However, if this is to be beneficial to the consumer, it is necessary that the firm act in the best interests of the individual and that short-term self-interest does not influence the recommendations the consumer receives. For many years, FI has been focussing on the conflicts of interest that arise when a firm accepts commissions in conjunction with the provision of financial advice to consumers. The investigation of commissions conducted in 2016 revealed that commissions accounted for the bulk of revenues for the vast majority of the firms that provide financial advice. When financial advisers accept commissions, this creates an incentive for them to provide advice about products which result in the highest remuneration instead of those products that best meet the consumer's needs. Being advised to invest in unsuitable products can have a major impact on an individual consumer's finances and can, in the long run, harm confidence in the financial market. FI's assessment is that this will continue to be one of the largest consumer risks in the financial market in the future.

Priorities for FI's supervision

For many years, FI has been working actively to audit the market for financial advice and has noted several examples where the size of the remuneration from the producers has steered which products are recommended to consumers. FI has also conducted a number of investigations and surveys looking at commissions and distribution, which support these conclusions. The new regulatory framework that enters into force in 2018 introduces a number of new and stronger consumer protection rules that aim to reduce the size of these problems. These include rules concerning what is required in order to call yourself an independent adviser. At present, there are few actors who offer genuinely independent advice. Their number needs to increase if the financial advice being provided is to fulfil its purpose. However, this is dependent on consumers understanding the difference between advice that is independent and that which is not. Consequently, FI will be focussing its supervision over the course of 2018 on how firms who state they are providing independent advice comply with the new regulations, which do not allow independent advisers to accept commission or provide advice concerning their own products.

Stricter rules on commission for advisers who are not independent are also being introduced this year. In future, these advisers must be able to demonstrate that the commission they receive increases the quality of the service provided to the customer and does not impair the firm's potential to look after the interests of the customer. Over the course of the past year, FI has made clear its position on certain types of commission that create particularly strong conflicts of interest and now expects there to be an explicit change in the marketplace. FI will be monitoring how companies adapt their commission systems to the new regulations.

Another area that FI will be prioritising is the new regulations concerning product governance, which, among other consequences, make it clear that firms that develop products are responsible for ensuring that they are not sold to consumers for whom they are not suitable. The new regulations play an important role in preventing consumers from being recommended to invest in unsuitable products. This year, FI will be monitoring how firms adapt their product development processes to the new requirements.

OVER-INDEBTEDNESS

Levels of household debt have been increasing for a long time. Mortgages account for the bulk of household debt, but the rate of growth in consumption loans has increased in recent years. This trend in the market for consumption loans is even more alarming given the already heavy debt burden many households have as a result of large mortgages. The overall risk is the same for all types of loan; that consumers will be granted loans that are too large or costly in relation to their repayment capacity. However, the risks are expressed in different ways for different types of loan. The focus in this report is on the risks to consumers that are found in the consumption loans market.

There is a more detailed account of risks to consumers in the mortgage market in FI's mortgage report[2].

The bulk of consumption loans are issued by credit institutions3 but the volume of lending by consumer credit institutions4 is increasing constantly. Many consumption loans are associated with high interest rates and fees. They are often marketed to consumers who are already financially vulnerable and have small margins in their finances. When sales of consumption loans are on the rise, there is a risk that more consumers will take on more debt than their financial situation can cope with. This may occur as a result of a lack of understanding of how interest rates and charges are structured or how their own financial situation may change. It can also occur as a result of lenders failing to comply with consumer protection regulations. Lending that is influenced by factors other than consumers' repayment capacity may have a substantial impact on individual consumers.

When consumers are granted loans they are unable to repay, they end up in a debt situation that becomes very costly; it is not just the cost of the originally agreed loan and penalty interest that has to be repaid, there are also costs associated with collection of the debt. In the long run, this can lead to the consumer becoming the subject of injunctions to pay and/or attachment from the Swedish Enforcement Authority.

Priorities for FI's supervision

An investigation that looked at 80 credit institutions was conducted in spring 2017. This confirmed the view that the costs of consumption loans are high. The average effective interest rate of the loans included in the investigation was around 30 per cent. Furthermore, it emerged that in many cases the loans had high interest rates and fees that were over 50 per cent of the loan amount and, in some cases, these were more than 100 per cent.

A questionnaire sent to 26 consumer credit institutions in 2017 indicated that loans issued by these institutions are even more expensive. The average nominal interest rate here amounted to 57.9 per cent and the average effective interest rate to 245 per cent. The questionnaire also confirmed the view that these loans are largely targeted at vulnerable consumers who are unable to obtain loans with more reasonable terms and conditions. Of the firms investigated, 17 issued loans to consumers with records for non-payment of debt. In one of these firms, 60 per cent of the loans were issued to consumers with records for non-payment of debt.

Both investigations therefore showed that consumption loans are often terminated prematurely by the borrower in order to be turned into a larger loan or a loan with a longer term, rather than because they are

---

2 https://www.fi.se/sv/publicerat/rapporter/bolanerapporter/

3Banks and credit market companies

4 Firms that are authorised in accordance with the Mortgage Business Act (2004:275).

being repaid. This type of reconfiguration is profitable for lenders but involves increased costs for the consumer. The fact that consumption loans are being reconfigured to such a great extent also indicates that firms are granting loans that the consumers involved did not have the capacity to repay at the time the loan was taken out.

The effort to chart the risks involved in the consumption loan market will become more detailed in 2018. Over the course of spring, FI is conducting an audit of 20 banks and credit market companies in which randomly selected data concerning unsecured loans, revolving loans and secured loans (not mortgages) is being gathered. The data gathered will show, among other things, what information firms use when they conduct their credit assessment of the consumer, the consumer's total debt burden and the proportion of interest-free loans that are converted to interest-bearing loans. The results will be reported in June 2018.

In addition to this, FI will, over the course of 2018, be conducting in-depth supervisory investigations of individual firms on the basis of the observations made in the questionnaire sent to consumer credit institutions. FI will also be monitoring how the new regulations concerning high-cost loans, which will enter into force in autumn 2018, are affecting this section of the market. There will be particular focus placed on whether firms change their business models in order to avoid being encompassed by the new regulations, for example arrangements involving revolving loans and overdraft facilities.

FI is also participating in a nationwide effort in which several public authorities and organisations are working together in a collaborative council for budget and debt issues with the aim of reducing the risks of over-indebtedness. This involves FI working closely with the Swedish Consumer Agency and the Swedish Enforcement Authority.

SAVINGS PRODUCTS WITH UNCLEAR FEES

Another prioritised risk is the unclear fees that are often included in savings products. Fees have a major impact on the return provided by financial products. In the long term, high fees can substantially reduce the return, which may involve a difference of tens of thousands of Swedish kronor between a cheap and an expensive pension insurance policy.[5] In an environment with low interest rates, where risk-free returns are very low, the significance fees have in terms of their impact on future return increases. Firms have a financial interest in presenting their products as competitive with, what appear to be, low fees. However, many financial products are constructed in a complex manner, which makes it difficult to determine the total cost – particularly when this is made up of several parts and includes fees payable to distributors, external managers and other third parties. But,

5See Consumer Protection Report 2017

even when the total cost is clearly specified, it is difficult to determine whether this is proportionate to the value of the product.

These challenges threaten to lead to consumers purchasing products that are too expensive, which they would not have bought if they were to have had a complete picture of the fees.

Priorities for FI's supervision

FI has long been complaining of the problems of closet index funds and insufficient information being provided.[6] Over the course of 2017, FI has also surveyed funds of funds in order to make it clear how fees are debited and how the fund management companies inform customers about products. This survey showed that funds of funds have relatively high fees. The average annual fees were 1.74 per cent, which can be compared with the average annual capital-weighted fees for Swedish equity funds, which was 0.94 per cent in 2016.[7] Furthermore, it emerged that there are differences between fund management companies in terms of how discounts and fees from underlying funds are reported to customers. FI can conclude that the informational advantage that fund management companies have over their customers means that fund management companies need to continually evaluate their funds and fees in relation to other investment options in order to ensure the quality of the fund.

The fees that are charged by the fund have to be reported in the information sheet, be reasonable in relation to the objectives of the fund and provide the potential for a return once the fees are paid. The fund management company also has a responsibility to ensure that the information is transparent and relevant and thus provides a true and fair view of the potential for the fund to provide a return. This survey will be presented in a separate report later this year.

FI has also examined the fees charged when transferring insurance policies. This investigation showed that variable transfer fees continue being debited for a long time after subscription, which can lead to high total fees.[8] In 2018, as the next stage in this process, FI is planning to survey the type of administrative cost that forms the basis of the fees insurance companies charge when transferring insurance policies. This survey will form the basis of an expected regulatory mandate this year.

The new regulation concerning packaged retail and insurance-based investment products enters into force in 2018. This introduces stricter rules for reporting costs to consumers, the aim of which is to make it easier to compare different types of savings product. Over the course of the year, FI will be examining the information that firms have to

6See Consumer Protection Report 2015

7Press release from the Swedish Investment Fund Association of 18 August 2016 based on figures from Morningstar, values from 1 May 2016.

8FI Ref. 16-13788

provide in order to evaluate whether this is complying with the aim of the new regulation.

Together with the European Insurance and Occupational Pension Authority (EIOPA), FI has carried out a thematic investigation of "kick-backs" provided to insurance companies by fund management companies. This showed that policy holders all over the EU were, in many cases, paying high fees as a result of commission models and that the majority of fund management companies in the investigation had invested in asset classes that had high capital management fees. This investigation will be followed up in 2018.

In addition, FI is participating in an effort at the EU level to survey the costs and return of a large number of investment products. The aim of this process is to increase the clarity for consumers about what products cost and how this can be compared to their return over time. This process will continue through 2018.

PARTICULARLY HIGH-RISK PRODUCTS

FI has identified an increase in the marketing to consumers of various types of particularly high-risk product. This category contains a range of different products with varied characteristics, but what unites them is that they are more complex and thus also more difficult to compare with other, similar products. These include CFDs (contracts for difference). One of the main risks involved in CFDs is that there is a high degree of volatility, which requires the investor to be very active. The products are often leveraged, which means that the consumer can lose more than they have invested. It can also be difficult to sell the product. Another example is binary options, which involve the buyer speculating on one of two possible outcomes: whether or not a certain circumstance occurs. The terms and costs can vary a lot between different binary options, which makes it difficult for consumers to understand the risks involved.

What is common to both CFDs and binary options is that they are often marketed by unscrupulous advisers. Many of these products are also involved in cases of investment fraud.

Another type of particularly high-risk product is virtual currencies, or tokens, that are used to bring in capital to various businesses. This takes place through something called ICOs (initial coin offerings). However, the majority of ICOs are unregulated and are neither subject to supervision nor encompassed by consumer protection regulations. In addition, there is normally no requirement for the price at which a virtual currency is sold to correspond to a real market value. It can also be difficult to sell on the asset.

One further example is deposits held by deposit companies. They are not covered by the deposit insurance scheme, which means that consumers are not entitled to any compensation from the state if the deposit company were to go bankrupt. At the same time, the consumer protection rules are limited and these businesses are not subject to FI's supervision. FI has long been drawing attention to this problem and the risks associated with this type of company.

Priorities for FI's supervision

Both on its own behalf and together with other public authorities, FI has warned of the risks associated with trading in virtual currencies and participating in ICOs.[9] In addition, FI has participated in a process at the EU level that led to a warning being issued about CFDs, binary options and particularly speculative products.[10] Together with ESMA, FI makes the assessment that the marketing, distribution and sale of binary options to consumers is to be banned. In addition, a restriction is being introduced on the marketing, distribution and sale of CFDs to consumers. The ban and the restrictions are valid for three months. A decision about any extension will be made before this three-month period has elapsed. The work to monitor and analyse the development of potentially high-risk products continues in 2018, the aims of which include identifying suitable supervisory measures.

In 2017, FI has also been working actively to warn of the risks associated with deposit companies. This took place in conjunction with a new case in which a deposit company no longer had sufficient capital to meet its commitments. FI deregistered the company in autumn 2017.

Finally, FI published a list in 2017 containing warnings about 1 129 unscrupulous firms that were operating in the market without having the necessary authorisation. This primarily involved investment fraud linked to binary options, but also various other types of equities fraud. This involves FI working with other supervisory authorities, both within the EU via ESMA and outside the EU via the International Organization of Securities Commissions (IOSCO).

---

9 http://www.fi.se/sv/publicerat/nyheter/2017/varning-for-risker-med-initial-coin-offerings/ http://www.fi.se/sv/publicerat/nyheter/2018/olampligt-for-konsumenter-att-investera-i-virtuella-valutor/

10 http://www.fi.se/sv/publicerat/nyheter/2016/esma-varnar-for-spekulativa-produkter-till-konsumenter/

Thematic Investigations

The aim of FI's supervision – aside from dealing with incidents and acute problems – is to prevent risks from materialising. Broad thematic investigations create the foundation for FI's future risk assessment process. By identifying trends, FI is able to identify potential risks that may affect consumers in the long run.

CONFLICTS OF INTEREST WITHIN GROUPS

A high level of consumer protection demands that financial firms manage the conflicts of interest that exist in their businesses so that short-term self-interest does not influence how they act in relation to their customers. This is particularly pertinent in fund management businesses, where it is vital that the firm takes all reasonable steps to prevent conflicts of interest having a detrimental impact on the interests of the customer. Consequently, FI has been investigating since 2015 conflicts of interest that may arise in fund management companies and AIF managers when these are part of groups. The results have shown that many firms need to focus more on identifying, managing and documenting conflicts of interest. FI has communicated these observations to the individual firms and to the trade association.

SURVEY OF PAYMENT INSTITUTIONS AND OTHERS

The Swedish implementation of the EU's second payment services directive (PSD 2) enters into force in Sweden on 1 May 2018. The aim of this regulation is to develop the electronic payments market and create better conditions for enabling secure and efficient payments. The directive contains several new rules about security and the management of risks in conjunction with payment service providers' communications with payment service users, for example in conjunction with transactions. In autumn 2017, FI conducted a survey of payment institutions, registered payment service providers and e-money institutions. This encompassed a total of 29 firms and showed that this is a fragmented market in which firms within the various categories are very different from one another in terms of both type and size of the business. These firms offer a large number of different services. The most common are services for making payments via direct debit, credit/debit cards or account-based payments and services for transferring money. The net turnover of these companies in 2016 varied from SEK 252 000 to SEK 1.1bn, and the number of employees from 2 to 267. The survey also showed that it is very common for these institutions to outsource operations to external parties. Control functions are also outsourced to a large extent. The majority of the payment service institutions have outsourced both their regulatory compliance and risk management functions and internal audit.

OWN FUNDS REQUIREMENTS BASED ON FIXED OVERHEADS

It is vital that the information reported by investment firms in their periodic reporting to FI is accurate so that FI is able to ensure that these firms are complying with the own funds requirements stipulated in the Capital Requirements Regulation.[11] The aim of these requirements is to ensure that investment firms are secure and sound and are complying with the own funds requirements. There are various methods used to calculate these requirements. In 2017, FI has investigated one[12] method that is based on a calculation of the firm's fixed overheads. The aim of this investigation was to conduct quality control on this calculation and to check how fixed overheads and risk-weighted exposure amounts reported in the current periodic reporting to FI. The investigation showed that 86 per cent of the firms examined use this method. However, there are some areas with room for improvement, and the firms concerned have been informed. These included firms that had made their own interpretations of which overheads they believe are fixed and that had not included the compensation paid to tied agents in the calculation. Furthermore, FI was able to identify shortcomings in internal governance and control pertaining to the current periodic own funds requirements reporting.

SURVEY OF INSURANCE INTERMEDIARIES

The Swedish implementation of the Insurance Distribution Directive (IDD) enters into force on 1 October 2018. The aim of this regulation is to create more standardised rules for insurance distribution and to improve consumer protection, particularly in the distribution of insurance-based investment products.

In summer 2017, FI sent a questionnaire to just over 200 insurance intermediaries.[13] The aim was to examine whether insurance intermediaries are complying with the applicable training requirements. The results showed that around 80 per cent of the insurance intermediaries questioned were members of Insuresec. It also emerged during this investigation that a large proportion of the insurance intermediaries who were not members of Insuresec held diplomas from a training institution and/or were undergoing training in order to comply with the knowledge requirements.

11 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 amending Regulation (EU) No 648/2012

12 FI Ref. 17-7468

13 FI Ref. 17-8525

SUSTAINABILITY

There are strong reciprocal connections between the financial sector and goals pertaining to the climate and sustainability. FI has previously presented a number of reports on this subject.

In 2017, FI conducted a survey of the information that is provided to consumers about sustainability in a selection of funds. The aim was to investigate whether consumers are being given relevant and clear information about how funds are taking sustainability into account and making it possible for consumers to make conscious choices. This survey showed that fund management companies are providing relatively extensive information about how sustainability is being taken into account. FI's conclusion is that the information largely corresponds to what is included in the processes and procedures used in asset management and the fund's holdings. However, it also emerged that it is still not easy for the consumer to understand this information and to use it to aid them in comparing different funds. FI was also able to establish that the initiatives instigated by the industry have provided good conditions for continued self-regulation.

Requirement for Regulatory Development

This year, FI will be monitoring how well firms are taking to the new consumer protection regulations and whether these are sufficient in order to address the problems that have been identified. However, there remains a number of problematic areas in which FI can see there is a requirement for regulatory development. These are presented in this section.

So far this year, the regulations that have entered into force include the Securities Market Act and the EU regulation on key information documents for packaged retail and insurance-based investment products for non-professional investors (PRIIPs). Work is also currently taking place to incorporate the EU Insurance Distribution Directive and the new Payment Services Directive into Swedish law.[14] At the national level, new rules are being proposed in order to make the market for payday loans and other high-cost loans more responsible, and a new act concerning crowdfunding platforms is being proposed.[15]

DEPOSIT COMPANIES

FI's supervision of deposit companies consists primarily of checking the suitability of the owners and senior management of these firms. Aside from these checks, FI has limited opportunities to intervene in the event of these businesses being mismanaged. There is a risk of consumers seeing these firms' registration with FI as a mark of quality and thus not taking into consideration the risks associated with this type of saving. FI has repeatedly warned of the risks associated with deposit companies. [16] Consequently, deposit businesses should, in principle, require authorisations as is the case for credit market companies or banks.

CROWDFUNDING

The number of actors offering loan-based and share-based crowdfunding has increased in recent years. FI has in the past pointed out various risks here as a result of large parts of this industry currently being unregulated. For example, FI has highlighted the fact

---

14 Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution and Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC.

15 SOU 2016:68, *Stärkt konsumentskydd på marknaden för högkostnadskrediter* (Stronger consumer protection in the market for high-cost loans) – Report of the Inquiry into Certain Consumer Loans.

16 For further reading; http://www.fi.se/sv/konsumentskydd/undrar-du-over-ett-foretag/att-satta-in-pengar-i-inlaningsforetag-kan-vara-riskabelt/

that there needs to be a requirement for the platforms that offer crowdfunding be authorised and rules that aim to provide consumers with more protection than they currently have. [17] A central government inquiry has surveyed and analysed the crowdfunding market in Sweden[18]. The inquiry's proposals include an authorisation requirement for crowdfunding platforms and stronger legal protection for borrowers and consumers who invest via these platforms. These proposals are important steps in ensuring a high level of consumer protection.

THE SWEDISH PENSIONS AGENCY'S FUND MARKETPLACE

A number of incidents concerning the Swedish Pensions Agency's fund marketplace occurred in 2017. This led to a range of actions on the part of FI. FI supervises the Swedish funds that can be selected in the Pension Agency's fund marketplace. However, many of the funds available are authorised in other EEA countries. Their authorisation also gives them the right to market mutual fund shares in Sweden. The potential for FI to intervene if problems are identified with foreign funds is limited. This is because it is the supervisory authority in the country in which the foreign fund is authorised that is responsible for supervising that fund.

FI welcomes the decision by Pensiongruppen (a cross-party parliamentary working group that deals with matters pertaining to pensions) to introduce a contracted-out fund marketplace within the premium pension system. The transition should take place as soon as possible. A radically overhauled fund marketplace is one prerequisite for providing savers with the security they have cause to expect from the premium pension system.

At the same time, FI's assessment is that considerably higher demands should be placed on the operational history of fund managers and on the minimum capital required for funds offered by the fund marketplace. This would make it impossible to establish a fund management business that targets only savers in the premium pension system; one important factor behind the shortcomings that have been identified. This would also be one step towards a fund marketplace with a considerably smaller number of funds.

In addition, FI believes that it should be stipulated that the Pensions Agency is to insert conditions into the fund agreement that are in excess of those in place pursuant to the normal fund regulations and that are thus formulated specifically for the premium pension system.

---

17 Finansinspektionen, Crowdfunding in Sweden – an overview Ref. 15-17414

18 SOU 2018:20, *Gräsrotsfinansiering* (Crowdfunding)

In turn, this means that the Pensions Agency will be auditing whether fund managers and funds comply with these conditions.[19]

19 Consultation response *Ett tryggt och mer hållbart premiepensionssystem* (A secure and more sustainable pension system) FI Ref 17-22019

Finansinspektionen
Box 7821, 103 97 Stockholm
Besöksadress Brunnsgatan 3
Telefon +46 8 408 980 00
Fax +48 8 24 13 35
finansinspektionen@fi.se

www.fi.se