Draft Annex III

Supervisory review and evaluation process (SREP)

010		*Date of the last update of information in this template*	***(06/07/2020)***
020	**Scope of application of SREP**	Description of the approach of the competent authority to the scope of application of SREP including: · what types of institutions are covered by/excluded from SREP, especially if the scope is different from those specified in Regulation (EU) No 575/2013 and Directive 2013/36/EU · a high-level overview of how the competent authority takes into account the principle of proportionality when considering the scope of SREP and frequency of assessment of various SREP elements	*In accordance with the European Banking Authority's (EBA) guidelines concerning the supervisory review and categorises Swedish credit institutions into four groups. The categorisation is based on the EU methodology f scope are all Swedish credit institutions that are granted a bank or credit license by Finansinspektionen, in lin 575/2013 and Directive 2013/36/EU. The categorisation allows Finansinspektionen to apply proportionality in* *The first group (category 1) consists of Sweden's largest credit institutions, including Handelsbanken, Swedb These institutions are classified as systemically important and are subject to a systemic risk capital buffer req Nordea Hypotek, which is indirectly subject to a systemic risk buffer through its parent bank in Finland). Ther cooperation for these institutions through the interntional supervisory colleges, and each institute is subject t* *The second group (category 2) consists of nine medium-sized credit institutions. Together with the first group subject to an annual SREP. As these institutions are typically not internationally active, they do not have supe Finansinspektionen allocates most of its supervisory resources to the supervision of institutions in category 1* *The third and fourth group (category 3 and 4) consist of smaller credit institutions (a total of 94 institutions i with their classification, the supervisory time and resources allocated to these institutions is more limited. For undergo a SREP at least every three years, while the frequency of SREP for category 4 institutions is determi approach.* *Whilst Finansinspektionen does not formally categorise branches of foreign banks operating in Sweden, super commensurate with their importance for the Swedish financial system. For example, Nordea branch and Dans been designated as significant-plus branches in accordance with the pertinent EBA guidelines. These branche broadly similar to category 1-2 institutions. This includes an annual risk assessment that feeds into the group respective home supervisor and the supervisory college.*
030	**Assessment of SREP elements**	Description of the approach of the competent authority to the assessment of individual SREP elements (as referred to in EBA Guidelines on common procedures and methodologies for SREP- EBA/GL/2014/13) including: · a high-level overview of the assessment process and methodologies applied to the assessment of SREP elements, including: (1) business model analysis, (2) assessment of internal governance and institution-wide controls, (3) assessment of risks to capital, and (4) assessment of risks to liquidity and funding · a high-level overview of how the competent authority takes into account the principle of proportionality when assessing individual SREP elements, including how the categorisation of institutions have been applied	*In line with the EBA SREP guideline, all category 1 institutions are subject to a comprehensive annual SREP, of the viability of the institution from the perspective of the business model, the governance and risk control and liquidity. The annual SREP is based on various information sources, including COREP and FINREP, but als meetings with the institution and supervisory examinations that take place throughout the year. Supervisors management to discuss issues related to governance and regulatory compliance. All information and findings examinations are included in the annual SREP. Institutions are also required to share their internal capital ade (ICAAP) and internal liquidity adequacy assessment process (ILAAP), which are reviewed by Finansinspektion supervisory college is closely involved.* *For category 2 institutions, whilst the annual SREP process is broadly similar to category 1 institutions, in gen proportional and focuses on the key risk areas identified by supervisors and risk experts. Supervisors will me of the institutions at least once a year as part of the SREP cycle. For category 3-4 institutions, the SREP appr risk-based.* *For all institutions the SREP includes a forward looking analysis, including a review of an institution's own stre framework. Finansinspektionen also conducts a supervisory stress test to evaluate the adequacy of an institu forms the basis for the determination of Pillar 2 guidance (P2G), which was introduced in the EBA SREP guide Finansinspektionen uses peer review to ensure consistency in assessment.* *Regarding the scoring of risks, Finansinspektionen closely follows the EBA SREP guidelines. That is, risks are score 1 to 4) based on the level of inherent risk and the quality of risk management and control. The risk sco scores as specified in the EBA guidelines. All material risks facing the institution are included in the assessme determined based on the viability scores for (i) business model, (ii) governance and internal controls, (iii) ca*
040	**Review and evaluation of ICAAP and ILAAP**	Description of the approach of the competent authority to the review and evaluation of the internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) as part of the SREP, and, in particular, for assessing the reliability of the ICAAP and ILAAP capital and liquidity calculations for the purposes of determining additional own funds and quantitative liquidity requirements including: · an overview of the methodology applied by the competent authority to review the ICAAP and ILAAP of institutions · Information/reference to the competent authority requirements for submission of ICAAP and ILAAP related information, in particular covering what information need to be submitted · information on whether an independent review of the ICAAP and ILAAP is required from the institution	*Each credit institution that is subject to SREP is required to submit the ICAAP and ILAAP to Finansinspektione an internal audit of an institution's ICAAP and ILAAP to ensure appropriate independent review.* *Finansinspektionen requires institutions to follow the EBA guideline on the collection of information related to (EBA/GL/2016/10). In principle, institutions should follow the entire guideline, but where certain information i relevant these may be omitted. In general, category 1 and 2 institutions would be expected to comply in full category 3 and 4 institutions are expected to take a more proportional approach.* *Note that the SREP assessment is based on a wider set of supervisory information than that is collect through ILAAP. Particularly for category 1 and 2 institutions, much of the supervisory information is collected through supervisory examinations, which allows Finansinspektionen to independently evaluate an institution's ICAAP a and in-depth SREP assessment of an institution's viability. Note also that Finansinspektionen applies publishe certain Pillar 2 requirements, such as interest rate risk in the banking book (IRRBB), credit concentration risk methodologies allow Finansinspektionen to benchmark the banks' ICAAP results in a harmonized and consiste*
050	**Overall SREP assessment and supervisory measures**	Description of the approach of the competent authority to the overall SREP assessment (summary) and application of supervisory measures on the basis of the overall SREP assessment. Description of how SREP outcomes are linked to the application of early intervention measures according to Article 27 of Directive 2014/59/EU and determination of conditions whether the institution can be considered failing or likely to fail according to Article 32 of that Directive.	*As described above, the overall SREP assessment is based on the assessment of an institution's viability in te governance and internal controls, capital adequacy and liquidity adequacy. Commensurate with the findings, articulates the detailed capital and liquidity requirements together with any supervisory measures or direction for category 1 banks the overall SREP assessment is decided jointly by the members of the supervisory colleg* *In case Finansinspektionen considers the response of the institution to the supervisory findings to be insuffici be complemented by other supervisory measures. According to the Swedish bank law, Finansinspektionen ha including the issuance of fines and sanctions, or directives to order an institution to reduce its exposure to ris liquidity or improve its governance or risk management. Ultimately, Finansinspektionen has the authority to w the institution.* *Finansinspektionen considers transparency as an essential part of supervision. For example, the detailed capi and category 2 institutions are disclosed on a quarterly basis. This includes detailed disclosure of Pillar 2 capit P2R and P2G. Further, as mentioned above, Finansinspektionen has published methodologies for calculating c requirements, including for credit concentration risk, IRRBB and pension risk.* *With regard to early intervention and resolution, Finansinspektionen is developing a framework that uses the a basis for decisions regarding early intervention measures and determination of conditions whether the instit or likely to fail. This framework will closely follow the applicable EBA guidelines.*