



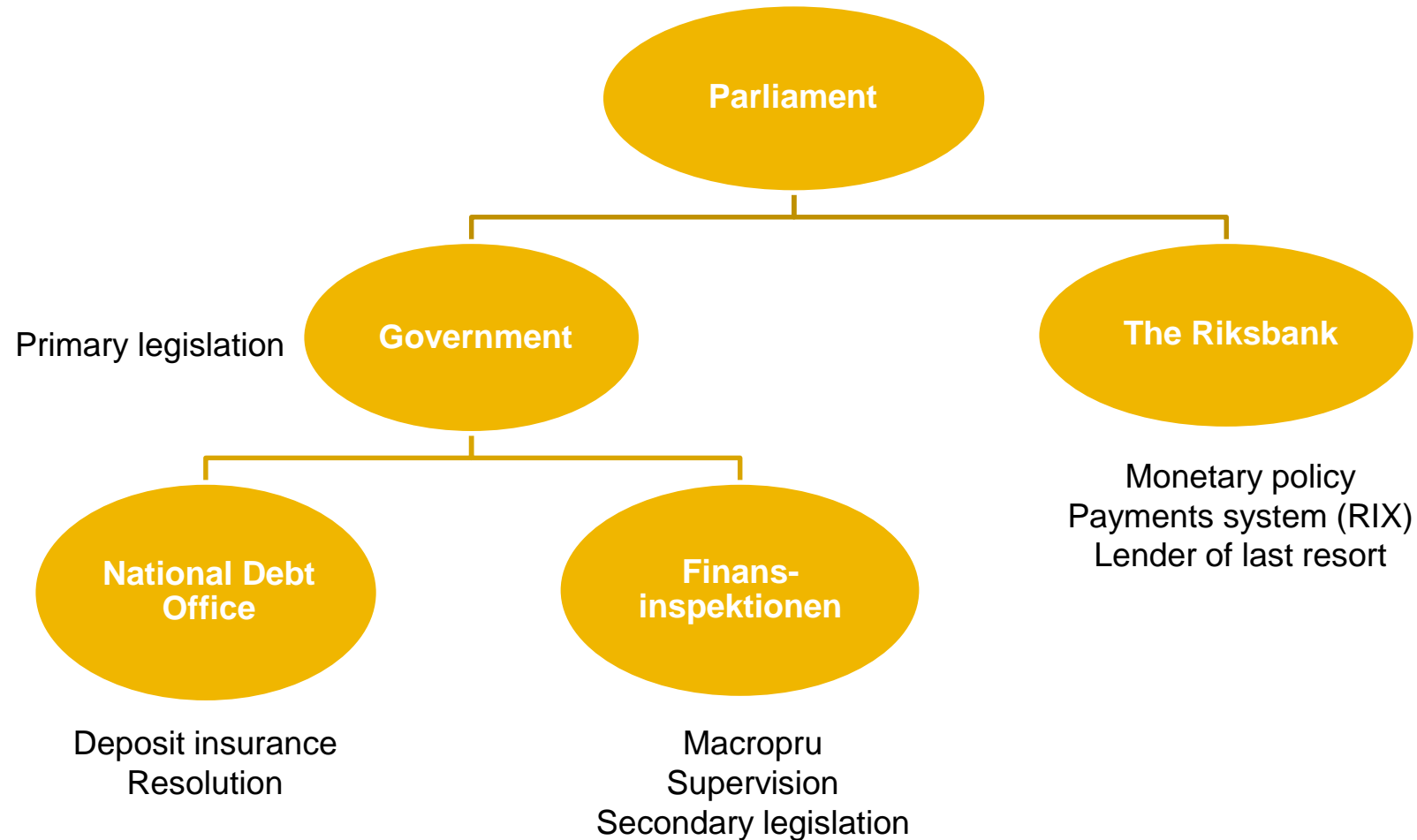
Macroprudential policy in Sweden: what has been done and is it enough?

Seminar on Macroprudential supervision and household indebtedness

Erik Thedéen, Director General Finansinspektionen

November 28

Responsibilities



Who decides?

Parliament/
government

Authority

Democratic legitimacy
Real effects
Distributive effects

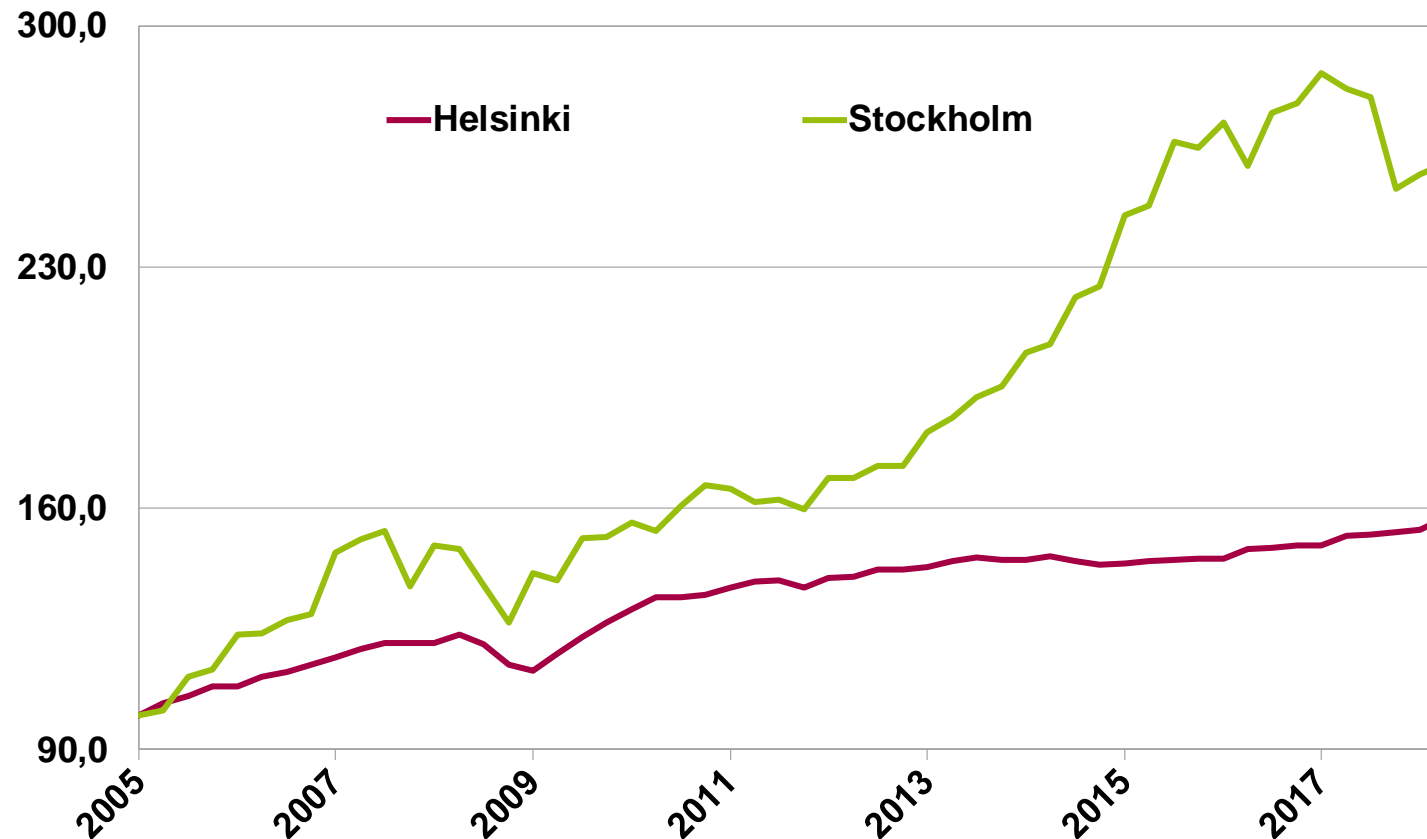
Forces

Measurable objective
Synergies
Speed
Flexibility
Political temptations

Macroprudential
policy

Aggressive real estate price growth

Index = 100, 2005



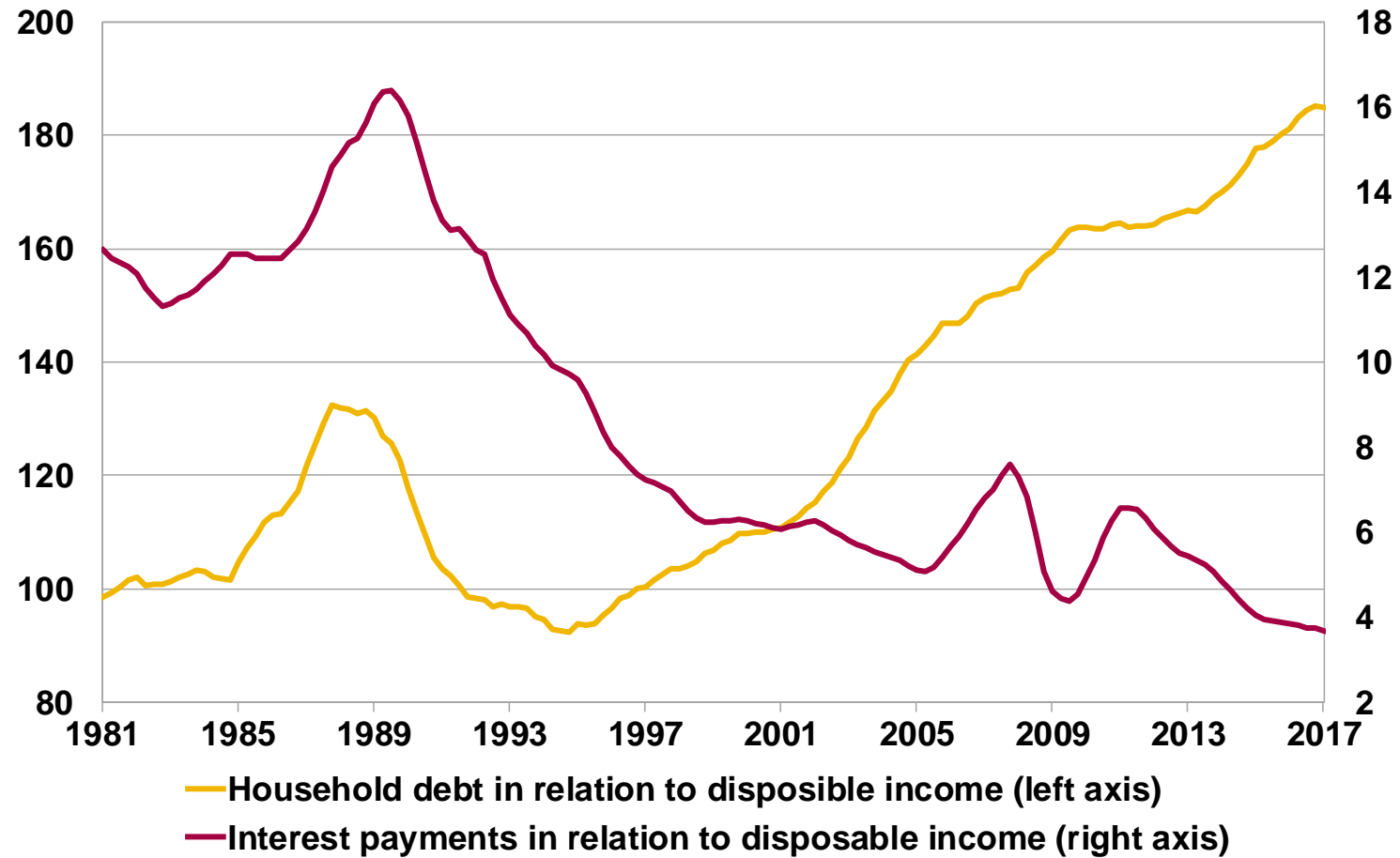
Source: Valueguard and Statistics Finland

Note: Dwellings. Swedish series refers to both primary and secondary markets while the Finnish series refers to the secondary market



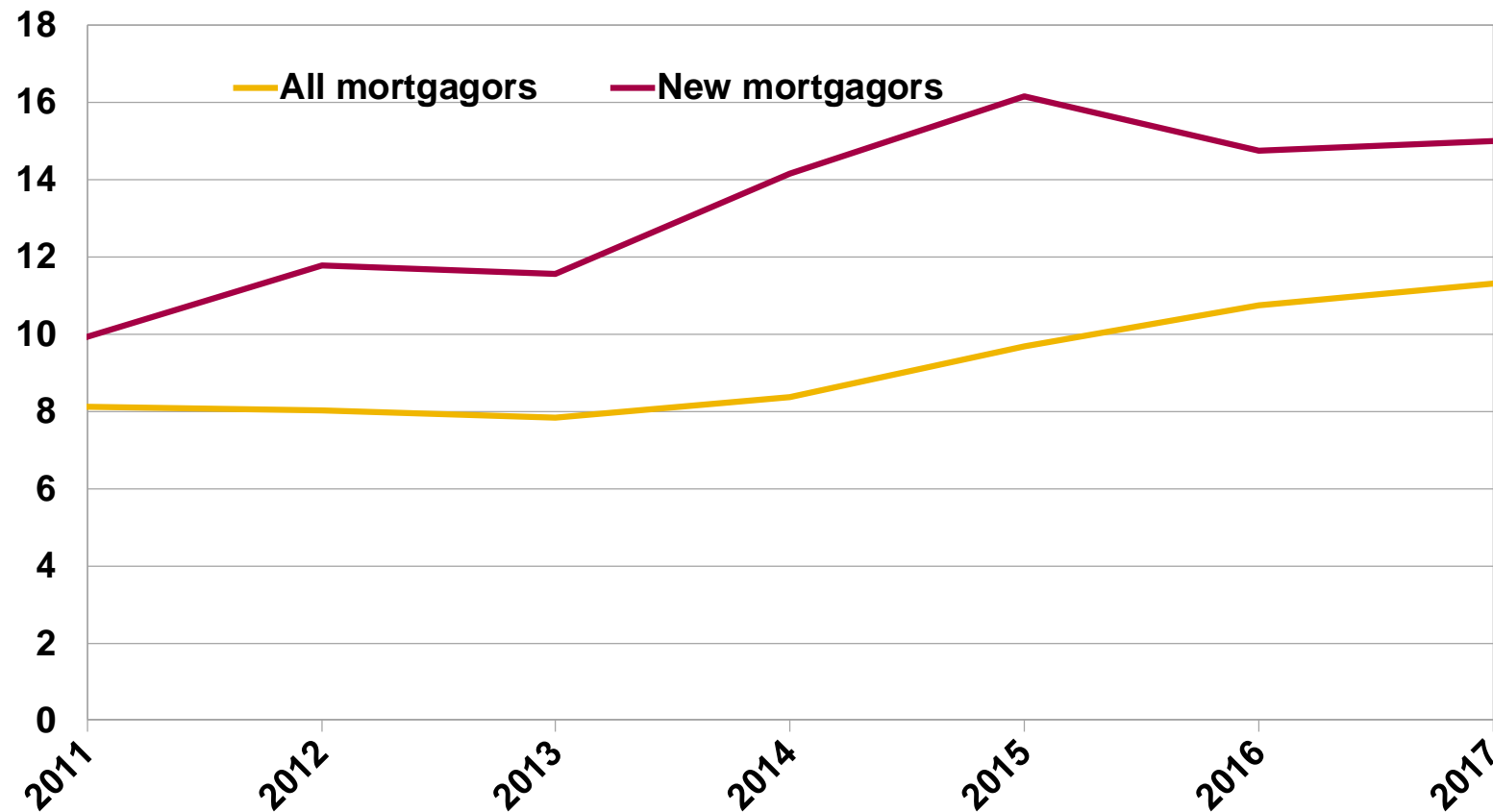
High household debt levels

Per cent of disposable income



Source: Statistics Sweden

Share of high LTI households



Source: FI Mortgage lending survey

What have we done?



Increase
resilience



Decrease
risks

Alternatives to LTI-based amortisation

Calibrated to reduce new mortgages by 3.72 per cent

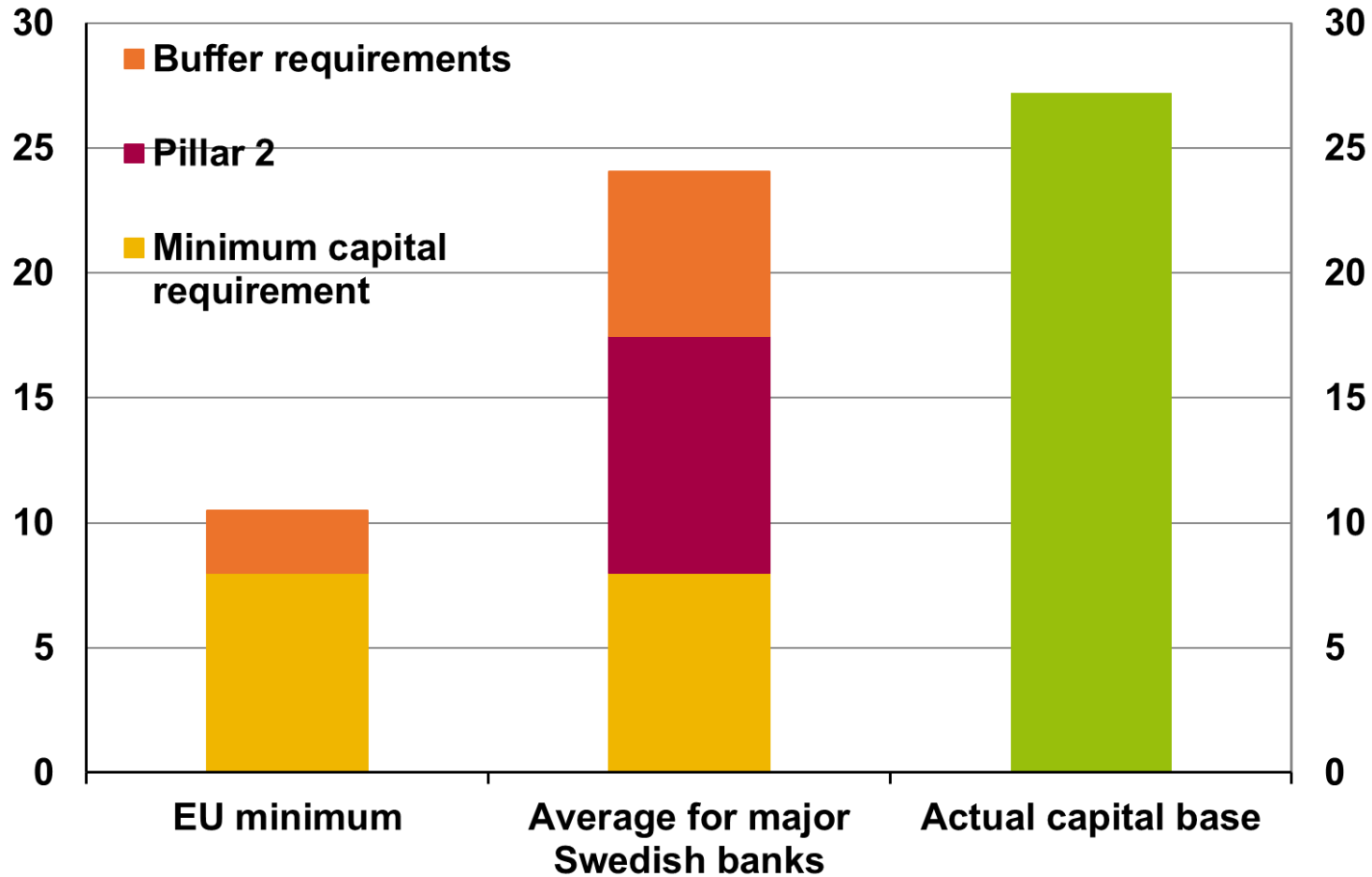
(Per cent)

Alternative	Limit (%)	Affected share	Share LTI > 450
LTI-based amortisation	450	14.1	7
Lower LTV-Cap	75.4 (85 today)	38	13
LTI-Cap	492	9.4	14
Capital requirements			
- Risk weights mortgages	50 (25 today)	100	13
- CCyB	20 (2.5 today)	100	13

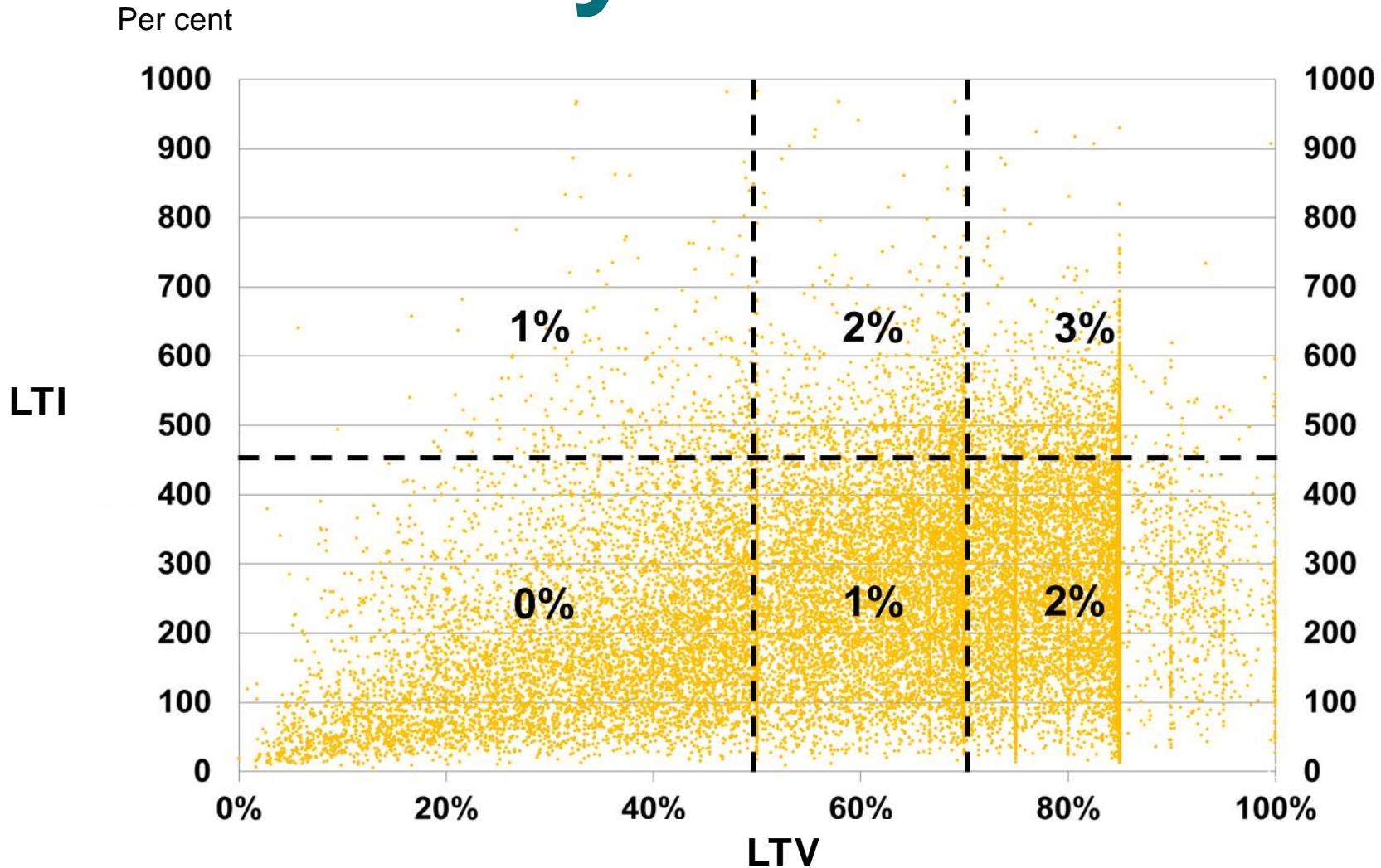
Source: FI

Capital requirements

Per cent of risk weighted assets



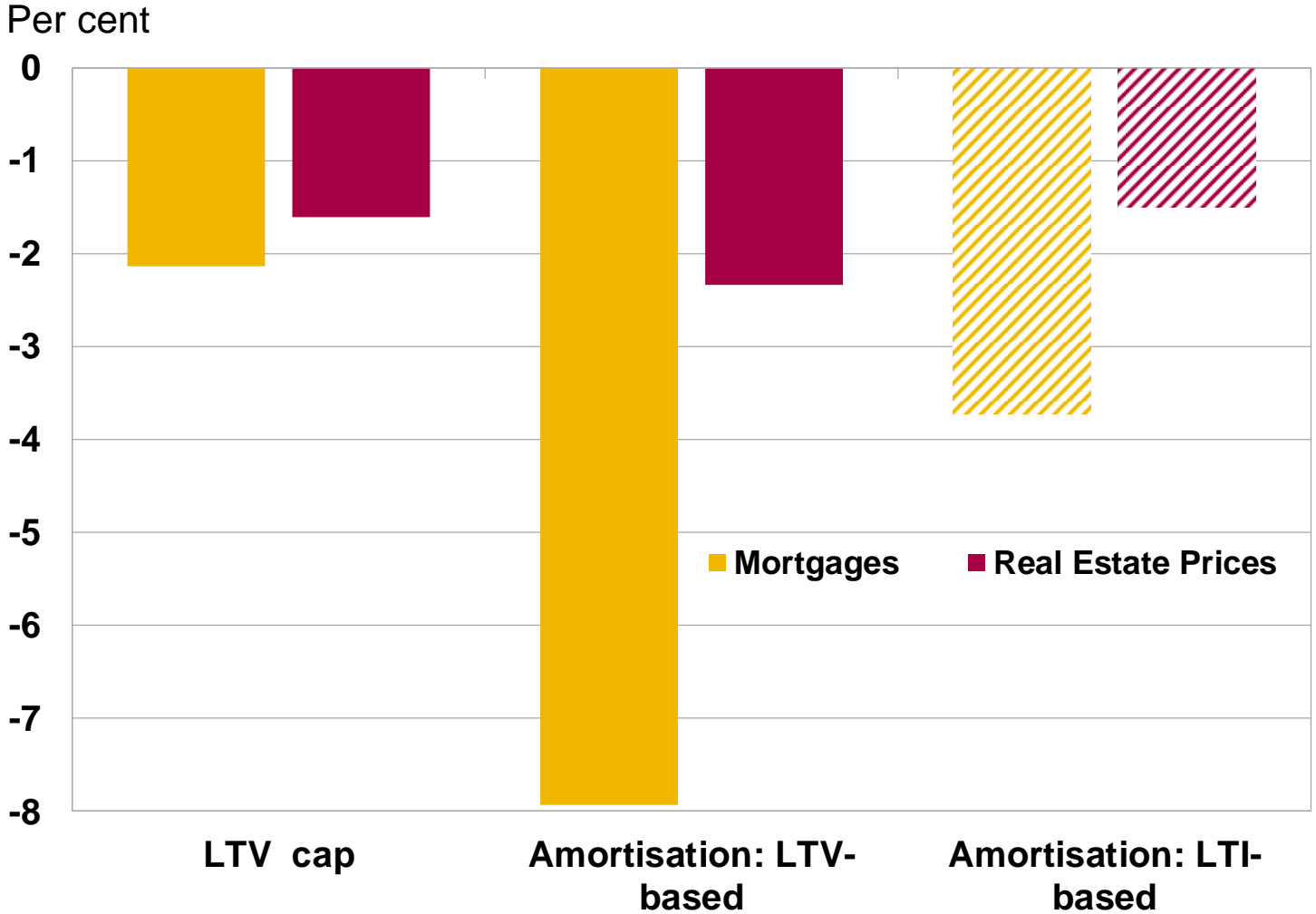
Curb systemic risk



Source: Finansinspektionen

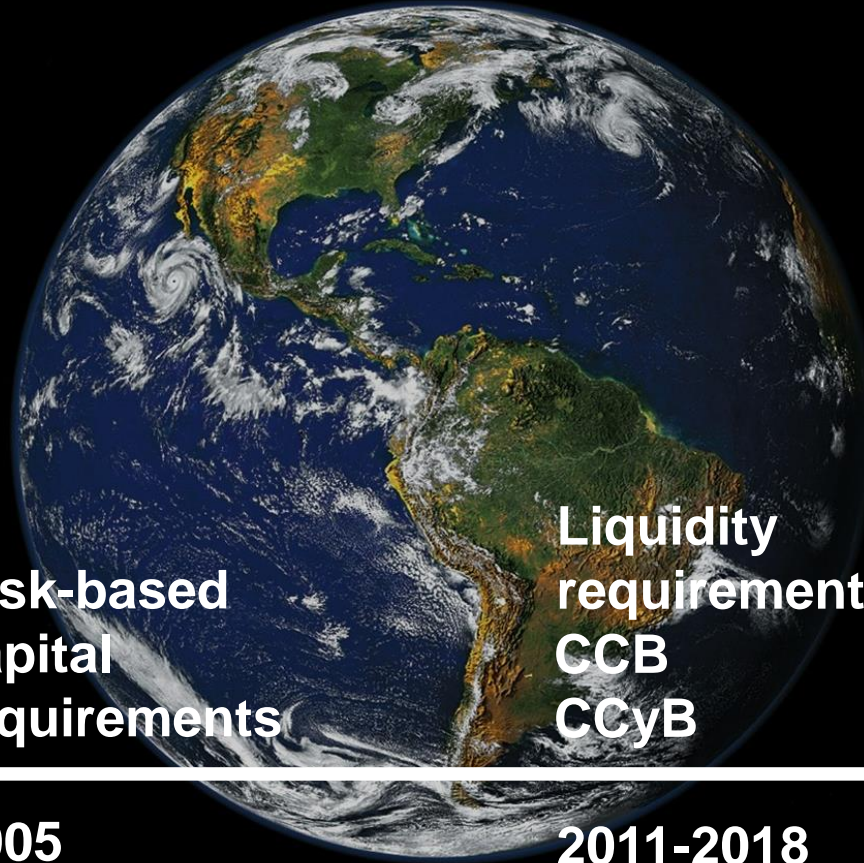
Note: Loan-to-value (LTV) and Loan-to-(gross)income (LTI).

Effects



Source: Finansinspektionen. *Note:* The mortgage bar for the LTV-cap shows the effect on total debt.

Macropru I



**Standardized
capital
requirements**

**Risk-based
capital
requirements**

**Liquidity
requirements
CCB
CCyB**

**1988
Basel I**

**2005
Basel II**

**2011-2018
Basel
III/CRD IV**

Macropru II

Politics:
Housing
Taxes
Unemployment
insurance

Borrower-based
measures:
LTV & LTI-caps
Amortisation
requirements

Liquidity
requirements
CCB
CCyB

Standardized
capital
requirements

Risk-based
capital
requirements

1988
Basel I

2005
Basel II

2011-2018
Basel
III/CRD IV

Future?

Our measures

- CCyB: Increased to 2.5% in September
 - Systemic Risk Buffer: 3%
 - Capital conservation buffer: 2.5%
 - Additional capital requirements for SII: 2% in Pillar II
 - 25% RW-floor for mortgages
 - O-S II buffer: 2%
 - LCR: 100% as well as 100% in USD and EUR in Pillar II
 - LTV-cap: 85%
 - LTV-based amortisation requirement: 2% p.a. if LTV > 70%, 1% p.a. if LTV >50%
 - LTI-based amortisation requirement: additional 1 p.p. if LT(gross)I > 450%
-

Reactions

FI-besked skakar byggbranschen

Amorteringskrav
löser inte bostadskris

Få påverkas av nya kravet på amortering

Tvång med motsatt effekt

Riksbanken: Krav på
amortering räcker inte

Nya amorteringsregler ger bankrusning

VILLAÄGARNÄ DÖMER UT FÖRSLAG OM AMORTERINGSKRAV

Marknaden förstörs av
finansiell ingenjörskonst

Regelverket gör det tufft för unga spekulanter

"Inte rätt läge att skärpa amorteringskraven"

FI fäller marknad och framtidsplaner

"Öronbedövande tondövhets."

"De som inte är inne på husmarknaden blir lidande"

Undersökning: Svenskarna vill skärpa amorteringskravet

Amorteringskravet är orättvist

Skärpt krav slår mot unga storstadsbor

EU gillar amorteringskrav

"Finansinspektionen
sänker byggandet"

Conclusion

- High household debt levels cause vulnerabilities.
- Capital requirements increase resilience. Borrower-based measures decrease systemic risk.
- Next: CRE