

# Finansinspektionen's Regulatory Code

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**FFFS 2015:20**

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## Regulations

### **amending Finansinspektionen's regulations and general guidelines (FFFS 2008:25) regarding the annual accounts of credit institutions and investment companies;**

decided on 25 November 2015.

Finansinspektionen prescribes<sup>1</sup> the following pursuant to section 4 (1–3) of the Annual Reports at Credit Institutions, Securities Companies and Insurance Undertakings Ordinance (1995:1600) as well as section 19 (b) of the Foreign Branch Offices Ordinance (1992:308) in respect of Finansinspektionen's regulations and general guidelines (FFFS 2008:25) regarding the annual accounts of credit institutions and investment companies

*in part* that Chapter 5, section 22 and the general guidelines for Chapter 5, section 10 and sections 29–33 and the general guidelines for sections 26 and 27 in Appendix 1 shall be repealed,

*in part* that the heading immediately preceding Chapter 5, section 22 and the heading immediately preceding section 29 of Appendix 1 shall be removed,

*in part* that Chapter 3, sections 5 and 9, Chapter 5, sections 3, 5–8, 13, 14 and 23, Chapter 7, section 2, the heading immediately preceding Chapter 5, section 8, the general guidelines for Chapter 3, section 1 and sections 1, 7, 8, 10–14, 18 and 26 in Appendix 1 and sections 5, 11, 13, 14 and 16 in Appendix 2 and the general guidelines in Appendix 3 shall have the following wording,

*in part* that three new paragraphs, Chapter 3, section 11 and Chapter 5, section 8a and section 9a in Appendix 1, and new headings immediately preceding Chapter 3, section 11 and Chapter 5, section 8a shall be inserted with the following wording.

## Chapter 3

**Section 1** Items on the balance sheet shall have the content specified in *Appendix 1*. The profit and loss items shall have the content that is set out in *Appendix 2*.

### *General guidelines*

Except for tangible and intangible assets (Assets, item 10), neither current assets and non-current assets nor short-term and long-term liabilities need to be classified separately in the balance sheet, cf. IAS 1 *Presentation of*

<sup>1</sup> Cf. Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, pp. 19–76, Celex 32013L0034).

*Financial Statements*. Further additions to and exceptions from IAS 1 are set out in the Swedish Financial Reporting Board Recommendation RFR 2 *Accounting for Legal Entities*.

An institution should report in the income statement the subtotals indicated in *Appendix 3*.

**Section 5<sup>2</sup>** In the event a loan has been granted by a consortium of institution, each participating institution shall only report its portion of the entire loan in its balance sheet.

An institution that has provided a guarantee for an amount greater than the institution's share of a syndicated loan, shall report the difference in the note regarding contingent liability, unless the guarantee is a commitment that is to be reported on the balance sheet.

**Section 9** Spot purchases and spot sales shall be recognised on the transaction date. With regard to transactions on the Swedish market, spot purchases and sales refer to agreements with delivery within two banking days on the money, bond or stock markets and the commodities or currency markets.

## Equity

**Section 11** The division of equity into restricted and non-restricted equity does not need to be shown on the balance sheet or in the notes if it is instead clear from a statement of changes in equity. The statement of changes in equity shall form part of the annual financial statements.

## Chapter 5

**Section 3<sup>3</sup>** Each of the items "Bonds and other interest-bearing securities" (Assets, item 5), "Shares and participations" (that are not included in items 7, 8 or 9) (Assets, item 6), "Shares and participations in associates and joint ventures" (Assets, item 7), "Shares and participations in Group companies" (Assets, item 8) and "Shareholdings in other companies" (Assets, item 9), shall be divided in the note into listed and unlisted securities.

**Section 5<sup>4</sup>** For each of the items "Shares and participations in associates and joint ventures" (Assets, item 7), "Shares and participations in Group companies" (Assets, item 8) and "Shareholdings in other companies" (Assets, item 9), the amount held in credit institutions shall be indicated in a note.

**Section 6<sup>5</sup>** For each of the items on the balance sheet, details of the value of leasing transactions shall be provided in a note.

In the note to "Tangible assets – Leased assets" (Assets, item 11.b) information shall be provided on the method and principles of depreciation applied in order to determine the residual value of different types of leased assets and the depreciation periods applicable to different types of assets, as well as the method applied for

<sup>2</sup> Article 9 of Directive 86/635/EEC.

<sup>3</sup> Article 41(2)(a) of Directive 86/635/EEC.

<sup>4</sup> Article 4 of Directive 86/635/EEC.

<sup>5</sup> Article 41(2)(c) of Directive 86/635/EEC.

revenue accrual. If the residual value of a leased asset is guaranteed by the supplier or by a third party and the guaranteed amount is of material significance, this should also be indicated.

The note shall indicate the carrying amount of repossessed leased assets.

**Section 7<sup>6</sup>** For the item “Tangible assets” (Assets, item 11) details shall be provided of the carrying amount of business properties and their share of the carrying amount of all properties.

#### *General guidelines*

Business properties are defined in IAS 40 Investment Property.

#### **Pledged assets**

**Section 8<sup>7</sup>** The note containing information about pledged assets shall have at least the following two sub-headings: 1. Pledged assets and equivalent securities provided for own liabilities and for provisions for reported liabilities and 2. Other pledged assets and equivalent securities.

Under the first sub-heading, details are given of the securities that the institution has pledged for its own liabilities and provisions.

Under the second sub-heading, details are given of the securities that the institution has pledged for other than its own liabilities and provisions, such as securities pledged for third parties or for its own contingent liabilities.

For each of the liability items, the provisions and the contingent liabilities, the note shall also indicate the total amounts of assets pledged as security for own or third-party obligations.

#### **Contingent liabilities**

**Section 8 (a)<sup>8</sup>** The note containing information about contingent liabilities shall have at least the following two sub-headings: 1. Contingent liabilities, and 2. Commitments.

Under the first sub-heading, details are given of “Acceptances and endorsements” and “Guarantees”. The guarantees include all guarantee obligations entered into for third party obligations, including sureties and irrevocable letters of credit.

Under the second sub-heading, details are given of such irrevocable commitments that involve risk-taking. These are divided into “Commitments resulting from repurchase transactions” and “Other contingent liabilities”. Undertakings that were made in connection with non-genuine repurchase transactions are reported under Undertakings resulting from repurchase transactions. The transferor shall take up the strike price of the sell option specified in the transaction. Under “Other

<sup>6</sup> Article 4 of Directive 86/635/EEC.

<sup>7</sup> Articles 24, 25 and 40(3)(d) of Directive 86/635/EEC.

<sup>8</sup> Articles 12(5), 24 and 25 of Directive 86/635/EEC.

contingent liabilities”, details are given of, among other things, such irrevocable commitments that result from the re-lending of borrowed securities.

**Section 13<sup>9</sup>** In the statement of income or in the note, the item “Dividends received” (item 4) shall be divided into

1. sub-item 4.a: Dividends from shares and participations (Assets, item 6),
2. sub-item 4.b: Dividends from associates and joint ventures (Assets, item 7),
3. sub-item 4.c: Dividends from Group companies (Assets, item 8), and
4. sub-item 4.d: Dividends from shareholdings in other companies (Assets, item 9).

**Section 14** Provisions concerning information about remuneration and benefits for management can be found in Chapter 5, sections 1 and 2 of the Annual Accounts for Credit Institutions and Securities Companies Act (1995:1559), cf. Chapter 5, sections 40–44 of the Annual Accounts Act (1995:1554).

#### *General guidelines*

Disclosures about significant conditions in agreements with key management personnel regarding future pensions and similar benefits after terminated employment should also include the following information:

- whether pensions are defined contribution or defined benefit,
- the cost for the financial year in relation to pensionable remuneration for defined-contribution pensions,
- the cost for the financial year in relation to pensionable remuneration for defined-benefit pensions, and
- for defined benefit pensions: the pension level expressed in relation to pensionable remuneration or, where appropriate, in Swedish krona if the pension is conditional on future employment.

Disclosures about other remuneration in accordance with Chapter 5, section 40 of the Annual Accounts Act (1995:1554) also includes work other than as a Board member or another member of executive management. This remuneration refers in addition to the fees for assignments that belong to the board member’s normal professional activities, for example as a lawyer or consultant. It is irrelevant whether the remuneration for the work is paid directly to the person, to a company or to another third party.

The term “key management personnel” is defined in accordance with IAS 24 *Related Party Disclosures*. Key management personnel should also be considered part of the management in the application of Chapter 5, section 40, third paragraph, section 41, second paragraph, and section 44 of the Annual Accounts Act.

**Section 23** An unlisted securities company whose balance sheet total for the two most recent financial years does not exceed 1,000 basic amounts in accordance with Chapter 2, section 7 of the Social Insurance Code (2010:110) only needs to provide disclosures in accordance with the following approved international accounting standards:

- IFRS 4 *Insurance Contracts*.
- IFRS 7 *Financial Instruments: Disclosures*.
- IFRS 13 *Fair Value Measurement*.
- IAS 1 *Presentation of Financial Statements*, in the section on capital disclosures.

<sup>9</sup> Article 27 of Directive 86/635/EEC.

- IAS 7 *Statement of Cash Flows*.
- IAS 10 *Events After the Reporting Period*.
- IAS 16 *Property, Plant and Equipment*, with the additions made in section 4 in relation to IAS 16 in RFR 2 *Accounting for Legal Entities*.
- IAS 17 *Leases*, with the exceptions and additions made in section 1 in relation to IAS 17 in RFR 2 *Accounting for Legal Entities*.
- IAS 18 *Revenue*.
- IAS 19 *Employee Benefits*, with the exemptions and additions set out by point 1 regarding IAS 19 in RFR 2 *Accounting for Legal Entities*, if the pension commitment is of a significant nature.
- IAS 21 *The Effects of Changes in Foreign Exchange Rates*.
- IAS 23 *Borrowing Costs*.
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.
- IAS 38 *Intangible Assets*, with the additions made in sections 3 and 6 in relation to IAS 38 in RFR 2 *Accounting for Legal Entities*.
- IAS 40 *Investment Property*, with the addition made in section 3 in relation to IAS 40 in RFR 2 *Accounting for Legal Entities*.

The first paragraph shall not apply if the institution

- prepares or is covered by consolidated financial statements, or
- has an international connection.

In the note that describes the accounting policies applied, the institution shall indicate whether it has applied this relief.

## Chapter 7

**Section 2** International accounting standards as adopted by the European Commission in accordance with Article 3 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (IAS Regulation), shall be applied when preparing consolidated financial statements, irrespective of whether the institution is listed or unlisted; cf. Chapter 7, Section 8 of the Annual Reports at Credit Institutions and Securities Companies Act (1995:1559).

A parent company shall disclose equivalent information for the Group as required under

- a) Chapter 5, section 14 regarding remuneration and benefits for management,
- b) Chapter 5, section 20 regarding regulatory compliance, and
- c) Chapter 6, sections 2–5 regarding the five-year review and capital adequacy analysis.

Disclosures under (c) may be provided other than in the Directors' Report. In such cases, the Directors' Report shall contain a reference to the place where this information can be found.

### *General guidelines*

An institution should apply Recommendation RFR 1 *Supplementary Accounting Rules for Corporate Groups* of the Swedish Financial Reporting Board in the consolidated financial statements. This recommendation should be applied with the exceptions and additions of the provisions of the Act

(1995:1559) on Annual Accounts at Credit Institutions and Investment Companies, see Chapter 7, Section 7 of the same Act.

Statements from the Swedish Financial Reporting Board (UFR) should apply in the same way as RFR 1 *Supplementary Accounting Rules for Corporate Groups*.

The following clarifications are provided for the standards below:

- a) IFRS 8 *Operating Segments*. This standard only has to be applied for the consolidated accounts of an institution that is covered by the standard's area of application.
- b) IAS 33 *Earnings Per Share*. This standard only has to be applied for the consolidated accounts of an institution that is covered by the standard's area of application.

#### *Capital adequacy analysis of financial holding companies*

A capital adequacy analysis shall be included in the consolidated financial statements of a financial holding company under Chapter 7, section 1 of the Annual Accounts for Credit Institutions and Securities Companies Act (1995:1559). In accordance with Chapter 6, Section 3 of the same Act, the analysis shall relate to the consolidated situation under Article 18 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms in which the holding company is included as a parent company.

The capital adequacy analysis shall also refer to a financial conglomerate if the holding company is required to report capital adequacy for the conglomerate to a supervisory authority.

More detailed rules regarding the content of the capital adequacy analysis can be found in Chapter 6, section 4.

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These regulations shall enter into force on 1 January 2016 and apply to annual accounts, annual financial statements and consolidated financial statements prepared for the financial year commencing after 31 December 2015.

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Ingela Redelius Günther

*Appendix 1*

**Section 1** The items in sections 2-28 refer to the layout for the balance sheet in accordance with Appendix 1 of the Annual Accounts at Credit Institutions and Securities Companies Act (1995:1559).

If an institution deviates from the presentation of the balance sheet in accordance with Chapter 3, section 2, the institution may make a corresponding deviation from sections 2–28.

*General guidelines*

When a deviation is made and the items are divided according to their nature and relative liquidity, it is assumed that the terms and definitions used have the same meaning as in the Annual Accounts at Credit Institutions and Securities Companies Act and these regulations and general guidelines.

An institution that uses terms or definitions in their annual report that have a different meaning to the ones set out in the Annual Reports at Credit Institutions and Investment Firms Act and these regulations and general guidelines should state this and specify what these differences are.

If an item can be reported or presented in more than one way, it should be indicated which option or, where permitted, options are applied.

**Section 7<sup>10</sup> Assets: Item 6 — Shares and participations (that are not included in items 7, 8 or 9).** Holdings of shares and participations as well as subscription rights and fractional rights are reported here.

The provisions of the first paragraph do not apply to shares and participations in associates, joint ventures, Group companies and shareholdings in other companies. These should be reported under the asset item 7, 8 or 9.

*General guidelines*

Shares in a tenant association (tenant-owned property) and shares in a Swedish UCITS are examples of shares that should be reported under this item.

The reporting of share options other than subscription rights and fractional rights is subject to the provisions relating to derivatives in the general guidelines for section 13 regarding Other Assets (Assets, item 13).

**Section 8<sup>11</sup> Assets: Item 7 – Shares and participations in associated companies and joint ventures.** Holdings of shares and participations in associates and joint ventures are reported here, along with subscription rights, fractional rights and derivatives for shares in associates and joint ventures; cf. Chapter 1, sections 5 and 5a of the Annual Accounts Act (1995:1554).

<sup>10</sup> Article 4 of Directive 86/635/EEC.

<sup>11</sup> Article 8 of Directive 86/635/EEC.

**Section 9 (a) Assets: Item 9 – Shareholdings in other companies.** Shareholdings in other companies are reported here, along with subscription rights, fractional rights and derivatives for shareholdings in other companies. Shareholdings in other companies means shareholdings in accordance with Chapter 1, section 4 (a) of the Annual Accounts Act (1995:1554) that do not consist of shares in Group companies, associates and joint ventures.

**Section 10<sup>12</sup> Assets: Item 10– Intangible non-current assets.** This item includes

1. capitalised expenditure for development and similar activities,
2. concessions, patents, licences, brands and similar rights and assets,
3. tenancy and similar rights,
4. goodwill, and
5. advance payments for intangible non-current assets.

*General guidelines*

What may be recognised as an intangible asset and what as goodwill is specified in Chapter 4, Section 1 of the Annual Reports at Credit Institutions and Securities Companies Act, cf. Chapter 4, section 2 of the Annual Accounts Act. There are supplementary rules in approved international accounting standards, cf. IAS 38 Intangible Assets and the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for Legal Entities.

A contractual right to manage financial assets on behalf of a third party is an example of such a similar right as referred to in 2.

**Section 11<sup>13</sup> Assets: Item 11 – Property, Plant and Equipment.** This item includes

1. buildings and land,
2. machinery and technical facilities,
3. equipment, tools and installations,
4. assets under construction, and
5. advance payments for property, plant and equipment.

Buildings and land include

1. buildings and land,
2. buildings under construction, and
3. down payment in respect of buildings and land.

The item includes such properties as the institution has taken over in order to protect a claim and properties where it carries out its own operations.

When reporting leases in accordance with the rules for operating leases, the lessor shall report all leased assets constituting non-current assets under this item. The depreciation/amortisation and impairment of leased assets shall be reported under the item “Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets” (Income statement, item 10). Prepayments to suppliers for leased assets shall be reported in the item Property, plant and equipment. The prepayment amounts shall be disclosed in a note.

**Section 12 Assets: Item 12 – Subscribed capital unpaid.** Receivables relating to payments not yet made for subscribed shares are reported here.

<sup>12</sup> Article 8 of Directive 86/635/EEC.

<sup>13</sup> Article 8 of Directive 86/635/EEC.



Before a new issue decision has been registered, the corresponding amount in liabilities shall be reported under the item Other liabilities (Liabilities, provisions and equity, item 4). Following registration, the amount shall be transferred to Share capital/Basic fund/Paid-up capital (Liabilities, provisions and equity, item 9).

*General guidelines*

This item includes receivables from new share issues. Once the new share issue decision is registered, the equivalent amount in liabilities shall be transferred to the item Share capital; see Chapter 13, section 29, paragraph 1 of the Companies Act (2005:551).

Subscribed capital unpaid may be reported here even if not all the conditions for the inclusion of an asset on the balance sheet in accordance with approved international accounting standards are met.

**Section 13 Assets: Item 13 – Other assets.** Unless it is more appropriate to recognise an asset under a different item, the following are reported here:

1. those derivatives which have a positive value,
2. receivables not arising through bank transactions, such as announced but unpaid leasing fees, securities settlement receivables and overdue interest receivables, and
3. other assets.

*General guidelines*

Share-based and interest-rate derivatives do not need to be reported together with the corresponding underlying instrument, but may be included under Other assets (Assets, item 13) or Other liabilities (Liabilities, provisions and equity, item 4). Subscription rights (share options) and fractional rights are reported, however, in accordance with sections 7–9. Derivatives can also be reported under a separate item.

**Section 14<sup>14</sup> Assets: Item 14 – Prepaid expenses and accrued income.**

Such expenditure as is recognised during the financial year but which represents costs for periods after the balance sheet date and such revenues as are recognised during the financial year but which represent income after the balance sheet date are reported here.

*General guidelines*

Accrued interest on loans and accrued coupon interest on debt securities can also be reported here.

**Section 18 Liabilities, provisions and equity: Item 4 – Other liabilities.** Unless it is more appropriate to recognise a liability under a different item, the following are reported here:

1. those derivatives which have a negative value,
2. liabilities not arising through bank transactions, such as own tax liabilities, trade payables and securities settlement payables, and
3. other liabilities.

<sup>14</sup> Article 1(1) of Directive 86/635/EEC, cf. Article 18 of Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies (OJ L 222, 14.8.1978, pp. 11–31, Celex 31978L0660).

*General guidelines*

Share-based and interest-rate derivatives do not need to be reported together with the corresponding underlying instrument, but may be included under Other assets (Assets, item 13) or Other liabilities (Liabilities, provisions and equity, item 4). Derivatives can also be reported under a separate item.

**Section 26 Liabilities, provisions and equity: Item 12 – Other funds.**

When reporting sub-item 12.b Equity method reserve, an institution shall make provisions for and deductions from the equity method reserve by moving amounts in equity to adjust retained earnings.

Provisions to an equity method reserve shall be reported after tax.

In sub-item 12.c Fair value reserve, changes in value are reported in accordance with Chapter 4, section 1 of the Act on Annual Accounts at Credit Institutions and Investment Companies; cf. Chapter 4, section 14 (d) of the Swedish Annual Accounts Act.

Sub-item 12.d Guarantee fund refers to such a fund as indicated in Chapter 5, section 1 of the Savings Bank Act (1987:619).

Sub-item 12.e Development expenditure fund refers to such a fund as indicated in Chapter 4, section 2, Paragraph 2 of the Annual Accounts Act.

*Appendix 2*

**Section 5<sup>15</sup> Item 4 — Dividends received.** All dividends from shares and participations are reported here, including dividends from associates, joint ventures, Group companies and shareholdings in other companies. Group contributions received from subsidiaries are also reported here if the institution has not chosen as a policy to report these as appropriations or has chosen to report Group contributions received from subsidiaries on a separate line in the statement of income immediately following the item Dividends received. Dividends must not be reported here for holdings of shares and participations reported using the equity method.

**Section 11<sup>16</sup> Item 10 — Value adjustments of tangible and intangible assets.** Value adjustments of any non-current assets that are included under the items Intangible assets (Assets, item 10) or Tangible assets (Assets, item 11) are reported here.

**Section 13<sup>17</sup> Item 12 — Credit losses, net.** This item covers

1. charges for value adjustments of loans and advances that are included under the items Loans to credit institutions (Assets, item 3) or Loans to customers (Assets, item 4) and costs for value adjustments of interest that have been entered in previous annual accounts,
2. provisions for such contingent liabilities and commitments as would otherwise have been included in the note on contingent liabilities,
3. income from previously impaired receivables, and
4. reversals of previous impairments or provisions.

*General guidelines*

Expenses, provisions, revenues and reversals relating to financial guarantees that are not derivatives can also be reported here.

The net cost of meeting guarantees provided should be assessed with reference to the value of any rights of recourse.

**Section 14<sup>18</sup> Item 13 — Value adjustments of financial assets.** This includes costs of value-adjusting financial assets that are included under

- Debt securities including fixed-income securities (Assets, item 5),
- Shares and participations (that are not included in items 7, 8 or 9) (Assets, item 6),
- Shares and participations in associated companies and joint ventures (Assets, item 7),
- Shares and participations in Group companies (Assets, item 8), or
- Shareholdings in other companies (Assets, item 9).

<sup>15</sup> Article 30 of Directive 86/635/EEC.

<sup>16</sup> Article 27 of Directive 86/635/EEC.

<sup>17</sup> Article 33 of Directive 86/635/EEC.

<sup>18</sup> Article 34 of Directive 86/635/EEC.

*General guidelines*

The impairment of available-for-sale financial assets should not be reported here. These should be reported under Net result of financial transactions (item 7).

**Section 16 Item 14A — Share of profits from shareholdings.** The share of the profits from holdings of shares and participations reported using the equity method is reported here. Dividends are reported in item 4 – Dividends received, unless the equity method is applied.

## Appendix 3

### Presentation of the income statement

#### *General guidelines*

The income statement should contain the entries listed below.

1. Interest income
2. Lease income
3. Interest expenses  
NET INTEREST INCOME
4. Dividends received
5. Commission income
6. Commission expenses
7. Net result of financial transactions
8. Other operating income  
TOTAL OPERATING INCOME
9. General administrative expenses
10. Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets
11. Other operating expenses  
TOTAL EXPENSES BEFORE CREDIT LOSSES  
PROFIT BEFORE CREDIT LOSSES
12. Credit losses, net
13. Impairment of financial assets
14. Reversals of impairment of financial assets
- 14A. Share of profits from shareholdings  
OPERATING PROFIT/LOSS
15. Appropriations
16. Tax on profit for the year
17. Other taxes  
PROFIT/LOSS FOR THE YEAR

Investment companies may report Commission income and Commission expenses before interest income, in accordance with section 6 of Appendix 2.

Information on net interest income is provided in accordance with Chapter 5, section 11. Only companies that do not report leasing in accordance with the rules of operational leasing can report net interest in their profit and loss statement in the sub-summary row NET INTEREST.

In accordance with section 16 of Appendix 2, shares of profits from shareholdings reported using the equity method are reported in item 14A Share of profits from shareholdings.