

# MEMORANDUM



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## FI intends to raise the countercyclical buffer rate to 1 per cent

A countercyclical buffer rate of 0 per cent has been applied since 16 March 2020. Finansinspektionen (FI) decided on that date to lower the countercyclical buffer rate from 2.5 to 0 per cent, and the new rate went into force immediately.

FI published a memorandum, *Tillämpning av den kontracykliska kapitalbufferten*<sup>1</sup>, in March 2021 that describes the general principles for application, the considerations that serve as a basis for FI's assessment of the level of the countercyclical capital buffer and the strategy in different situations.<sup>2</sup>

FI communicated on 1 June 2021 that the authority aims to raise the countercyclical buffer rate during the second half of the year, given that the economic recovery remains strong and the outlook continues to stabilise further.<sup>3</sup> FI communicated at the same time that future increases will then occur gradually, like the increases FI decided on during the period 2014–2018. FI now intends to raise the countercyclical buffer rate to 1 per cent in Q3 2021.

The background to FI choosing to lower the buffer rate in March 2020 was the exceptional uncertainty surrounding the economic development as a result of the coronavirus pandemic. This development also resulted in significant problems in the financial system, and extensive support measures from authorities, central banks and governments around the world were required to stabilise the situation. Despite these measures, economic development was greatly weakened.

The aim of lowering the countercyclical buffer rate in March 2020 was to free up capital so that banks would be able to maintain their supply of credit by improving their ability to meet elevated demand for credit even if they

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<sup>1</sup> An English translation is available at [www.fi.se](http://www.fi.se).

<sup>2</sup> <https://www.fi.se/sv/publicerat/sarskilda-pm-beslut/2021/fis-tillampning-av-den-kontracykliska-kapitalbufferten/>

<sup>3</sup> <https://www.fi.se/sv/publicerat/nyheter/2021/fi-lamnar-det-kontracykliska-buffertvardet-oforandrat/>

experienced large losses. These losses have not materialised, and as the economy has recovered, the risk for large credit losses has decreased.

At the same time, risk-taking on financial markets is high, and asset and housing prices have increased rapidly. Combined with the rising growth in household debt, this indicates that the cyclical stability risks are now increasing. FI therefore makes the assessment that these risks are no longer lower than they were prior to the pandemic. It is therefore suitable to now begin to raise the countercyclical buffer rate and ensure that the banks have sufficient capital buffers to handle future crises. FI also makes the assessment that the economic recovery is showing sufficient strength and the banks' capital and profitability are sufficiently strong for an increase not to have a significant negative impact on the recovery. As a first step, FI therefore intends to raise the buffer rate to 1 per cent in Q3 2021. Due to the implementation period of twelve months, the level of the buffer rate can enter into force in Q3 2022.

In addition, FI has already announced both that it will not extend the recommendation to banks to restrict dividends and that the temporary amortisation requirement will expire as planned.<sup>4</sup>

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<sup>4</sup> <https://www.fi.se/sv/publicerat/pressmeddelanden/2021/fi-forlanger-inte-rekommendationen-om-utdelningar/>  
<https://www.fi.se/sv/publicerat/pressmeddelanden/2021/bolan-ska-amorteras-igen/>

## Impact of an increase in the buffer rate

The table below shows how the banks' capital requirements are impacted if the countercyclical buffer rate is raised to 1 per cent. As shown in the table the banks already today have capital to cover the increase in the capital requirements.

Table 1. Impact on capital requirements of an increase in countercyclical buffer rate to 1 per cent

SEK million

	Current CET1 capital	Current CET1 requirement	CET1 requirement after CCyB increase
SEB	159 423	94 521	98 415
SHB	152 867	96 463	100 815
Swedbank	127 551	84 367	89 638
SBAB	18 039	10 945	12 298
Länsförsäkringar	16 879	8 941	10 075
SEK	19 710	8 283	8 847
Landshypotek	5 075	2 893	3 254
Sparbanken Skåne	7 146	2 745	3 082
Skandiabanken	4 402	2 060	2 290
Nordnet	2 691	1 298	1 407
Avanza	2 647	888	994
Kommuninvest	9 329	3 638	3 638

Source: FI

Note: Refers to CET1 capital at group level. Reference date: June 30 2021

This document has been submitted today to the following stakeholders for feedback:

Swedish Bankers' Association

The Swedish Savings Banks Association

The Association of Swedish Finance Houses

The Swedish Investment Fund Association

Kommuninvest i Sverige AB