

Finansinspektionen's Regulatory Code

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Finansinspektionen's regulations regarding prudential requirements for credit institutions and investment firms;

decided on 10 December 2013.

Finansinspektionen prescribes¹ the following pursuant to Chapter 5, section 2, point 4 of the Banking and Financing Business Ordinance (2004:329) and Chapter 6, section 1, point 9 of the Securities Market Ordinance (2007:572).

Chapter 1 Scope and definitions

Section 1 These regulations contain provisions that supplement 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.

Terms and expressions in these regulations have the same meaning as in the Regulation, unless otherwise specified.

Section 2 These regulations apply to institutions referred to in Article 1 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Chapter 2 Consolidated basis

Section 1 The provisions in this chapter apply to an institution applying Articles 11–18 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms on a consolidated basis.

Section 2 Undertakings linked by a relationship within the meaning of Article 18(3) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms shall be fully consolidated. Finansinspektionen can allow consolidation by another method where special grounds exist.

Section 3 Undertakings linked by a relationship within the meaning of Article 18(4) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms shall be proportionately consolidated (the proportional method).

Section 4 Where there are participations within the meaning of Article 18(5) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and

¹ Cf. 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 (EUT L 176, 27.6.2013, p. 1, Celex 32013R0575).

investment firms, consolidation shall be carried out using the equity method. Finansinspektionen may instead grant approval for full consolidation or proportionate consolidation (the proportion method). Other forms of capital ties within the meaning of Article 18(5) are not consolidated.

Section 5 Undertakings within the meaning of Article 18(6) of Regulation (EU) on prudential requirements for credit institutions and investment firms are not consolidated.

Chapter 3 Own funds and own funds requirements

Section 1 An institution shall apply alternative (a) pursuant to Article 89(3) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Section 2 An institution, as of 1 January 2014 and until 31 December 2014, shall apply the following capital requirements pursuant to Article 465(1) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms:

1. a Common Equity Tier 1 capital ratio of 4.5 per cent, and
2. a Tier 1 capital ratio of 6 per cent.

Section 3 An institution, as of 1 January 2014 and until 31 December 2017, shall apply a percentage of 100 per cent pursuant to Article 467(2) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Section 4 An institution, as of 1 January 2015 and until 31 December 2017, shall apply a percentage of 100 per cent pursuant to Article 468(2) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms. The applicable percentage of 100 per cent shall not be deducted from the Common Equity Tier 1 Capital.

Section 5 An institution, as of 1 January 2014 and until 31 December 2017, shall apply a percentage of 100 per cent pursuant to Article 478(1) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Section 6 An institution, as of 1 January 2014 and until 31 December 2023, shall apply a percentage of 100 per cent pursuant to Article 478(2) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Section 7 An institution, as of 1 January 2014 and until 31 December 2017, shall apply a percentage of 0 per cent pursuant to Article 479(4) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Section 8 An institution, as of 1 January 2014 and until 31 December 2017, shall apply a factor of 1 pursuant to Article 480(3) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Section 9 An institution, as of 1 January 2014 and until 31 December 2017, shall apply a percentage of 0 per cent pursuant to Article 481(3) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Section 10 An institution, as of 1 January 2014 and until 31 December 2014, shall apply a percentage of 0 per cent pursuant to Article 481(4) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

Section 11 An institution, when applying Article 486(6) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, shall use the following percentages:

1. 80 per cent during the period 1 January 2014–31 December 2014,
2. 70 per cent during the period 1 January 2015–31 December 2015,
3. 60 per cent during the period 1 January 2016–31 December 2016,
4. 40 per cent during the period 1 January 2017–31 December 2017, and
5. 20 per cent during the period 1 January 2018–31 December 2018.

Chapter 4 Standardised approach for credit risk

Section 1 An institution, when applying Article 126(1) and Article 126(2)(d) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, shall use a risk weight of 100 per cent for exposures that are secured by mortgages on commercial property when the secured property is located in Sweden or a third country.

Chapter 5 Large exposures

Section 1 An institution shall exempt the following exposures when applying Article 395(1) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms:

1. Exposures held by the institution to its parent company, other subsidiaries to the parent company or the institution's own subsidiaries, where the undertakings are subject to the same supervision on a consolidated basis as the institution itself in accordance with the Regulation, or with corresponding standards in a third country.
2. Exposures to institutions within the European Economic Area (EEA) where these
 - a) contractually fall due the following banking day,
 - b) are in DKK, NOK, or SEK, and
 - c) are not included in these institutions' own funds.

Section 2 An institution, when applying Article 395(1) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, shall recognise debt securities issued in accordance with the Covered Bonds (Issuance) Act (2003:1223) and corresponding foreign debt securities at 10 per cent of their value. In no case may the items be included in the issuing institution's own funds.

Section 3 An institution, when applying Article 395(1) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, after receiving permission from Finansinspektionen, may recognise the following exposures at the amounts decided by Finansinspektionen:

1. Exposures to central banks as a result of statutory requirements on minimum reserves denominated in each country's national currency.
2. Exposures to governments in the form of statutory liquidity requirements held in treasury notes which are denominated and funded in each country's national currency, provided that the government has an external credit rating corresponding to credit quality step 3 or better.

Section 4 An institution shall conduct a thorough analysis of all exposures exceeding two per cent of the institution's or the group's eligible capital when determining large exposures to a group of connected clients.

The institution shall analyse, as a minimum, whether the following clients shall be considered to be a group of connected clients:

- a client who in full or in part guarantees another client's exposure, or in any other way can be obligated to take over another client's exposure, if the size of the exposure is so significant that the client probably will not be able to meet its obligations under the requirements set out in the guarantee or the obligation,
- a property owner and a tenant that pays the majority of the lease income,
- a client and its client, if a significant portion of the client's turnover, assets or liabilities are to the other client,
- a manufacturer and its retailers, if the retailer represents a significant portion of the turnover and it can take time to replace the retailer,
- two firms that have an identical client base consisting of a small number of clients and that have limited opportunities to find new clients, and
- multiple clients if the institution becomes aware that the clients of another institution are considered to be a group of associated clients.

With regard to private clients, the institution shall conduct as a minimum, in addition to that set out in the second paragraph, an analysis of

- a borrower and its co-borrowers, and
- married persons or co-habitees if both pursuant to contract or law are responsible for the loan and the amount is significant for both of them.

Chapter 6 Liquidity

Section 1 An institution and all or some of its subsidiaries may waive application of Article 412 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms given the conditions referred to in Article 8(2) of the Regulation.

The institution is required to submit written notification to Finansinspektionen stating which institutions are included in the liquidity sub-group. In its notification, the institution shall also certify that

1. the conditions in Articles 8(1)(a)–8(1)(d) of the Regulation are fulfilled, and
2. legal opinions exist stating that the conditions in Articles 8(1)(c) and 8(1)(d) of the Regulation are fulfilled.

Section 2 The legal opinion pursuant to section 1 shall be issued by an external, independent legal advisor with extensive experience in the field. The opinion shall be addressed directly to the institution.

Section 3 An investment firm which does not have authorisation pursuant to Chapter 2, section 1, point 3 of the Securities Market Act (2007:528) does not need to apply Articles 411–428 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms. This also applies to a group of investment firms where none of the undertakings in the group have authorisation pursuant to Chapter 2, section 1, point 3 of the Securities Market Act.

These regulations shall enter into force on 1 January 2014.

MARTIN ANDERSSON

James McConnell