

Finansinspektionen's Regulatory Code

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FFFS 2012:1

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Regulations amending Finansinspektionen's regulations and general guidelines (FFFS 2007:1) regarding capital adequacy and large exposures;

decided on 16 March 2012.

Finansinspektionen prescribes pursuant to section 32, point 20 of the Capital Adequacy and Large Exposures Ordinance (2006:1533) that Chapter 59, section 33 of Finansinspektionen's regulations and general guidelines (FFFS 2007:1) regarding capital adequacy and large exposures shall have the following wording.

Chapter 59

Section 33 The lowest multiplier an institution may have is determined by how well the institution meets the qualitative requirements set out in section 6. The lowest possible multiplier is 3. The multiplier increases by a plus factor that is dependent on the results of the backtesting the institution shall carry out on a daily basis. This plus factor can vary from 0 to 1 and is determined in accordance with the table below on the basis of the number of overshootings established by backtesting in the previous 250 banking days. An overshooting is the change in the value of the portfolio in one day which exceeds the VaR value for that day in accordance with the model. The institution shall calculate overshootings based on either actual or hypothetical changes in the value of the portfolio in a consistent manner. In order to determine the plus factor, the number of overshootings shall as a minimum be calculated quarterly.

Number of overshootings	Plus factor
Less than 5	0.00
5	0.40
6	0.50
7	0.65
8	0.75
9	0.85
10 or more	1.00

If the number of overshootings indicates that the model is not sufficiently accurate, Finansinspektionen can require that the institution take measures to improve the model or withdraw its permission to use the model.

To enable Finansinspektionen to monitor the suitability of an institution's plus factor,

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the institution shall, as soon as possible and no later than within five business days, notify Finansinspektionen of overshootings identified by the institution's backtesting.

These regulations shall enter into force on 31 March 2012.

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