

Finansinspektionen's Regulatory Code

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Finansinspektionen's regulations regarding the reporting of liquidity risks for credit institutions and investment firms;

decided on 19 May 2011.

Finansinspektionen prescribes the following pursuant to Chapter 5, section 2, point 9 of the Banking and Financing Business Ordinance (2004:329), Chapter 6, section 1, point 60 of the Securities Market (Trading and Services) Ordinance (2007:572) and section 32, points 39 and 40 of the Capital Adequacy and Large Exposures Ordinance (2006:1533).

Chapter 1 Introductory provisions

Section 1 These regulations contain provisions governing the information firms shall report to Finansinspektionen about liquidity risks.

Scope

Section 2 These regulations apply to

1. banking companies,
2. savings banks,
3. members' banks,
4. credit market companies,
5. credit market associations, and
6. investment firms.

These provisions shall also be applied to financial groups.

A firm included in a financial group shall not report information about its own liquidity risk to Finansinspektionen if the information is covered by the reporting for the group.

Section 3 The regulations apply to firms that as of 30 September have a balance sheet total exceeding SEK 5 billion. The reporting requirement applies for the subsequent calendar year even if the balance sheet total falls below this amount for any period of time.

Where special cause exists, Finansinspektionen can decide that a firm with balance sheet total below SEK 5 billion shall be subject to these regulations.

Section 4 A firm shall report information to Finansinspektionen about liquidity risk on the last day of each month (balance sheet date). Finansinspektionen shall have received the information no later than 15 days after the balance sheet date.

The firm which pursuant to Chapter 9, section 3 of the Capital Adequacy and Large Exposures Act (2006:1371) is responsible for ensuring that the requirements for consolidated accounts are met shall report information about liquidity risk pursuant to the first paragraph for a financial group.

The firm shall report information via a reporting system located on Finansinspektionen's website using the instructions provided there.

Section 5 All amounts shall be stated in SEK thousands and reported separately in SEK, EUR, USD and other currencies. Current rates on the balance sheet date shall be used for the conversion to SEK.

Section 6 Finansinspektionen decides on exceptions to these regulations where special grounds exist.

Definitions

Section 7 Terms and expressions in these regulations shall have the same meaning and scope as in Finansinspektionen's regulations (FFFS 2010:7) regarding the management of liquidity risks for credit institutions and investment firms.

Chapter 2 Information reported to Finansinspektionen

Size and composition of the liquidity reserve

Section 1 A firm shall provide information about the assets included in its liquidity reserve broken down into cash and bank balances, government securities, covered bonds and other securities.

Section 2 The assets shall be reported both with and without haircuts. A *haircut* refers to a reduction in the value of the asset that reflects the risk that the asset cannot be quickly converted into liquid funds. Information shall be provided about how large a share of the assets are eligible as collateral with Sveriges Riksbank or another central bank. Information shall also be provided about the share of the assets that are pledged and the share of the pledge that has been drawn.

Section 3 Inflows from every asset in the liquidity reserve shall be referred to in the time horizon in which the asset can earliest be converted into liquid funds. In its calculation, the firm shall use a daily time horizon for the first five days after the balance sheet date.

Intra day collateral

Section 4 A firm shall provide information about payment volumes during the balance sheet date, the highest daily payment volume since the previous balance sheet date, net payments during the balance sheet date and the lowest daily net payment since the previous balance sheet date. Lending via intraday loans shall be excluded for all payments.

Cash flows

Section 5 A firm shall provide information about the cash flows expected to arise when total assets, liabilities and off-balance sheet items are settled given the current conditions. In addition to contractual cash flows with established payment times and known amounts, the firms shall also include cash flows for which the payment times and size are determined by the firm's own decisions, client behaviour or market development. In cases where client behaviour or market development serves as a basis for the calculation of cash flows, they shall be based on empirical observations and established calculation conventions.

Cash inflows from the liquidity reserve pursuant to Chapter 2, sections 1–3 shall not be included in the cash flows in the first paragraph.

Section 6 Cash flows shall be reported in daily time horizons the first year after the balance sheet date and thereafter in yearly time horizons up to and including year five. Cash flows occurring after five years shall be reported in a separate time horizon.

Contracted maturities of debt securities

Section 7 A firm shall provide information about contractual maturities on outstanding securities issued by the firm itself taking into account the lender's right to early redemption and the right to extend the maturity. Maturities shall be reported in monthly time horizons the first year after the balance sheet date and thereafter in yearly time horizons up to and including the tenth year. Maturities after ten years shall be reported in separate time horizons.

Lenders and loan markets

Section 8 A firm shall provide information about the total outstanding gross debt for its five largest lenders and the amount the firm owes to the largest lender.

Section 9 A firm shall provide information about the outstanding debt the firm has to credit institutions. Information shall be provided about the size of the secured and unsecured portions of the debt. The debt shall be assigned to the time horizon in which it matures. Maturity shall be reported using the following time horizons: one day, more than one day to one week, more than one week to one month, more than one month to three months, more than three months to six months, more than six months to one year, more than one year.

Section 10 A firm shall also provide information about the size of the balance sheet total.

Covered bonds

Section 11 A firm that has issued securities pursuant to the Covered Bonds (Issuance) Act (2003:1223) shall report outstanding debt in the form of covered bonds and assets qualifying for inclusion in the collateral pool. Information shall also be provided about the portion of the collateral pool that is linked to bonds and the portion that is comprised of supplemental collateral.

Liquid assets and cash inflows and outflows

Section 12 A firm shall provide information about liquid assets and cash outflows and inflows. The information shall be provided in accordance with the *appendix* to these regulations.

Section 13 *Liquid assets* refers to such assets that are kept separate in the firm's treasury and that can immediately be converted into cash to meet financing needs within the next 30 days. Assets that are pledged as collateral or are not central bank eligible are not liquid assets in this respect. Assets, with the exception of covered bonds, that are issued by a credit institution, investment firm or insurance undertaking shall not be counted as liquid assets, either.

Section 14 Cash inflows from liquid assets shall not be included in the calculations. Each asset and cash flow may only be included in one reporting item.

Chapter 3 Archiving

Section 1 The information a firm uses as a basis for its reporting to Finansinspektionen shall be documented in a manner that enables verification of the information at a later date. The information shall be saved for at least one calendar year.

Entry into force and transition regulations

1. These regulations shall enter into force on 1 July 2011, upon which Finansinspektionen's regulations (FFFS 2007:3) regarding reporting of liquidity risk shall be repealed.
2. For the first reporting occasion, which falls on the balance sheet date of 31 July 2011, Finansinspektionen shall have received the information no later than 25 days after the balance sheet date, instead of 15 days.

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*Appendix***Basis for the calculation of the stress test****Stock of liquid assets**

1. Cash, e.g. banknotes and coins in the vault.
2. Balances with central banks.
3. Securities with zero risk in accordance with Finansinspektionen's regulations and general guidelines (FFFS 2007:1) regarding capital adequacy and large exposures that are issued or guaranteed by sovereigns, central banks, public sector entities (e.g. Swedish county councils and municipalities and corresponding foreign entities), the Bank for International Settlements (BIS), the International Monetary Fund, the European Union or multilateral development banks.
4. Securities with a non-zero per cent risk weighting in accordance with Finansinspektionen's regulations and general guidelines regarding capital adequacy and large exposures issued by sovereigns or central banks in the domestic currency of the country in which the liquidity risk is taken or in the firm's home country.
5. Securities with a non-zero per cent risk weighting in accordance with Finansinspektionen's regulations and general guidelines regarding capital adequacy and large exposures issued by the domestic sovereign or central bank in foreign currency to the extent the stock of such securities matches the firm's operational need for currency in that country.
6. Securities with 20 per cent risk weighting in accordance with Finansinspektionen's regulations and general guidelines regarding capital adequacy and large exposures issued or guaranteed by sovereigns, central banks, public sector entities (e.g. Swedish county councils and municipalities and corresponding international entities) or multilateral development banks.
7. Corporate bonds rated at least AA– or the equivalent by a recognised external credit assessment institution.
8. Covered bonds rated at least AA– or the equivalent by a recognised external credit assessment institution. The bonds may not be issued by the firm itself.

Stocks serving as a basis for the calculation of cash outflows

Points 9–18 include demand deposits or deposits with residual maturity within 30 days unless otherwise specified.

Retail

9. Retail deposits covered by deposit insurance and where the depositor has other established relationships with the firm, e.g. a salary account.
10. Other retail deposits.
11. Retail deposits with residual maturity greater than 30 days.

Unsecured deposits of less than EUR 1 million by small business customers excluding credit institutions, investment firms and insurance undertakings

12. Deposits by small business customers in transactional accounts covered by deposit insurance. *Small business customers* are defined as firms that essentially behave like retail customers.

13. Other deposits by small business customers.

Unsecured deposits from customers with operational relationships

14. Deposits from credit institutions, investment firms and insurance undertakings as well as other companies for operational purposes. *Operational purposes* means the provision of custody services, clearing and settlement services or cash management. *Cash management* refers to measures intended to improve the effective management of a firm's payment flows.

15. Deposits covered by deposit insurance from sovereigns, central banks, public sector entities and firms other than credit institutions, investment firms or insurance undertaking with which the firm has operational relationships.

Other unsecured funding

16. Deposits from credit institutions to the centralised entity in a group of cooperative credit institutions for purposes other than operational.

17. Deposits from sovereigns, central banks, public sector entities, multilateral development banks and firms other than credit institutions, investment firms and insurance undertakings that are not small businesses and are not held for operational purposes.

18. Other deposits and funding not included in points 14–17.

Secured funding with residual maturity within 30 days

19. Secured borrowing backed by any asset in points 1–5.

20. Secured borrowing backed by any asset in points 6–8.

21. Secured borrowing backed by assets not included in points 1–8 where domestic sovereigns, central banks or public sector entities are the lender.

22. Other secured borrowing.

Other

23. Derivatives payable net of derivatives receivable with residual maturity within 30 days. Stated only if a net payable exists.

24. Additional liquidity needs for financial transactions, derivatives and other contracts related to credit assessment downgrades of up to a 3-notch downgrade.

25. Assets other than those set out in points 1–5 used as collateral securing derivative transactions.

26. Posted asset-backed securities, covered bonds and other structured financial instruments maturing within 30 days.
27. Funding issued by structured financing facilities maturing within 30 days or for which the firm can contractually force a 'return' (repurchase).
28. Undrawn, committed credit and liquidity facilities to retail and small businesses customers.
29. Undrawn, committed credit facilities to sovereigns, central banks, public sector entities, multilateral development banks and firms other than credit institutions, investment firms and insurance undertakings.
30. Undrawn, committed liquidity facilities to sovereigns, central banks, public sector entities, multilateral development banks and firms other than credit institutions, investment firms and insurance undertakings.
31. Other undrawn committed credit and liquidity facilities.
32. Other contractual funding liabilities to credit institutions, investment firms and insurance undertakings.
33. Increased liquidity needs as a result of valuation changes in derivative transactions or other transactions.
34. Other contingent funding liabilities.
35. Other cash outflows contractually maturing within 30 days.

Cash inflows

Only contractual inflows arising within the next 30 days shall be specified.

Lending against collateral

36. Inflows from lending backed by the types of assets set out in points 1–5.
37. Inflows from lending backed by the types of assets set out in points 6-8.
38. Inflows from lending backed by other types of assets set out in points 1-8.

Other

39. Cash inflows from fully functional credits to retail and small businesses customers.
40. Cash inflows from maturing securities and from fully functional credits to credit institutions, investment firms and insurance undertakings.
41. Cash inflows from fully functional credits to other counterparties.
42. Own credit and liquidity facilities.

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43. Deposits held at credit institutions, investment firms and insurance undertakings for operational purposes or deposits held at the centralised unit of a network of co-operative credit institutions.

44. Derivative receivables net of derivative liabilities maturing within 30 days. Stated only if there is a net receivable.

45. Other contractual cash inflows.