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## DECISION



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## **Recognition of other Member States' counter-cyclical buffer rates**

### **Finansinspektionen's decision**

Finansinspektionen decides to recognize countercyclical buffer rates up to 2.5 per cent that are set by the designated authority of another EEA country. The firms concerned shall use these buffer rates to calculate their firm-specific countercyclical capital buffers.

Therefore, as of the reporting that firms concerned shall do by 11 August 2015 at the latest and all reporting submissions thereafter, firms shall apply the currently applicable countercyclical buffer rate up to 2.5 percent set by the designated authority of another EEA country when calculating their firm-specific countercyclical capital buffers.

### **Background**

#### *Countercyclical buffer rate*

The Capital Requirements Directive<sup>1</sup> contains provisions regarding setting the countercyclical buffer rates. These provisions are mainly implemented in Swedish law through the Capital Buffers Act (2014:966) – the buffer act.

The purpose of the countercyclical capital buffer is to strengthen the resilience of banks and ensure that the banking system as a whole has sufficient capital to sustain the flow of credit to households and corporations in situations when shocks to the financial system could cause a credit crunch.

It is the designated authority in each country that sets the countercyclical buffer rate that shall apply for that country. According to the buffer act, Finansinspektionen is the authority which is to set the countercyclical buffer

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<sup>1</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

rate in Sweden and decide on reciprocity for the buffer rates of other countries.

According to Chapter 7, section 1 of the buffer act, Finansinspektionen shall set a countercyclical buffer guide and a countercyclical buffer rate each quarter. The countercyclical buffer guide shall be used as a reference in setting the countercyclical buffer rate, which shall provide the basis for calculating the size of the firm-specific countercyclical capital buffer according to Chapter 6 of the same act.

The countercyclical buffer rate set by Finansinspektionen shall be applied by all firms concerned. The firms covered by the buffer act are credit institutions, investment firms, Svenska skeppshypotekskassan, fund management companies with discretionary portfolio management and alternative investment fund (AIF) managers licensed to conduct discretionary portfolio management.<sup>2</sup>

#### *Reciprocity regarding countercyclical buffer rates*

The provisions on reciprocity of the Capital Requirements Directive regarding countercyclical buffer rates are implemented in Swedish law through Chapters 6 and 7 of the buffer act and section 5 of the law implementing the buffer act (2014:967). Finansinspektionen may, according to the latter provision, recognise until 31 December 2018 the shorter transitional periods of other Member States for the countercyclical capital buffer in accordance with Article 160.6 of the Capital Requirements Directive. When taking decisions to recognise the countercyclical buffer rates of other Member States, Finansinspektionen shall meet the notification obligation specified in the aforementioned Article of the Capital Requirements Directive. According to the notification obligation, Finansinspektionen shall notify the parties concerned of its recognition, including the EU Commission, ESRB, EBA and relevant supervisory colleges.

Finansinspektionen decided in September 2014 that it will recognize the countercyclical buffer rate set by the designated authority of another EEA country up to 2.5 per cent.<sup>3</sup>

#### *Reporting*

The calculation of the firm-specific countercyclical capital buffer is part of the reporting to Finansinspektionen that the firms concerned are required to do under Chapter 7 in Finansinspektionen's regulations (FFFS 2014:12)

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<sup>2</sup> Some firms are exempted from the requirement to maintain a firm-specific countercyclical capital buffer, see Chapter 9, section 1 of Finansinspektionen's Regulations (FFFS 2014: 12) regarding prudential requirements and capital buffers.

<sup>3</sup> FI (2014), *Capital requirements for Swedish Banks*, section 5.2.2. Published on fi.se on 10 September 2014, FI ref. 14-6258.

regarding prudential requirements and capital buffers. The next reporting date is on 11 August 2015 and concerns the second quarter of 2015.

FINANSINSPEKTIONEN

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