



Government Offices of Sweden

Speech from Ministry of Finance

Speech by Minister for Financial Markets Per Bolund at UNPRI conference in Berlin

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First of all let me congratulate the PRI and its signatories for a great job over the last two decades. With almost 1800 signatories representing 70 trillion dollars PRI is truly a success. It is a great achievement. But this focus on sustainability hasn't always been the case. I remember the climate talks in Copenhagen back in 2009 and I remember especially what a Danish delegate said:

It might be the case that stopping climate change isn't profitable but it might be worth pursuing anyway.

After leaving Copenhagen, the way we talk about sustainability challenges in general and especially climate change has fundamentally changed. Today, this sceptical viewpoint is truly something of the past. UN secretary general Guterres put it quite eloquently when he, earlier this year, said:

The sustainability train has left the station. Get on board or get left behind

If I might add a Swedish perspective to this, it would be that Sweden isn't on the sustainability train. We are on the sustainability Hyperloop and we are leaving the sustainability train far behind us. But as you might have guessed, I am biased when it comes to Sweden.

With this Elon Musk- esque metaphor I would like to share with you all the Swedish experiences on how to make the financial system more sustainable and my thoughts on what role the industry could play by applying self-regulation and where supervisory authorities and legislative bodies must

regulate.

In Sweden we have sustainability engrained in the constitution where it says that the public sector shall promote a sustainable development which leads to a healthy environment for present and coming generations.

When applying this to financial market policy we have focused on a risk based approach. This is important because we do not want to mix politics with regulation, but at the same time we want to make sure, in every way possible, that we are doing everything we can to implement the Sustainable Development Goals and the Paris Agreement.

The focus on risk has also been instrumental to how the Swedish Financial Supervisory Authority has approached the matter of sustainability. Because, as we see it, more sustainable financial companies pay more attention to long term challenges which is positive from a financial stability standpoint.

On our initiative, the Swedish FSA has initiated an ambitious agenda to integrate sustainability into its everyday work stream. This includes focusing on:

- how major banks consider sustainability factors in their lending operations
- and how climate change, both its effects and the transition risks affects financial stability.

These activities mirror two other initiatives which are currently taking place, namely the High Level Group on Sustainable Finance and the Task Force on Climate related Financial disclosures. The Swedish FSA's work is therefore tightly interlinked with the recommendations from the two groups.

But the Swedish agenda for more sustainable financial markets doesn't stop with the work being done by the FSA. The Swedish national pension funds which jointly manage over 130 billion dollars will get a legislative overhaul which steers them in a sustainable direction. This means that the funds must pay attention to international agreements which Sweden has ratified, such as the Sustainable Development Goals and the Paris agreement. And in the so called premium pension system, which is open to all UCITS V funds, we will propose a sustainability requirement which stipulates that a fund will not be allowed on the platform without properly declaring how sustainability is integrated in the investment process. This is a big deal as the premium pension system is part of the Swedish national pension system and covers generally speaking all individuals in Sweden. The premium pension system

manages about 100 billion dollars today but the system is growing and is projected to surpass 300 billion during the coming decades.

These initiatives are examples from the Swedish toolbox for a more sustainable financial system. However, in order to make a global mark we must work together within the European Union.

I welcome the Commission's initiative to set up the HLEG group and I have with great interest taken part of the interim report.

Some of the report's recommendations can be implemented by the industry itself, and for some, the initiative must come from member states.

One example which can be initiated by the private sector itself is to change the way you rewards your employees. I urge you to stop aligning compensation with short term performance as this will have an adverse effect on the actions which your employees are taking. It will not be in line with the long term goals which actually build lasting value to a company.

In short, big cash bonuses which are based on short term performance means that employees have no motivation to change. Instead, as the report suggests, the bar for cash reward could be to achieve certain sustainability metrics. This opens up for a more smooth alignment of sustainability and the day to day business.

When looking at what recommendations that the member state can work with, this still need some additional work. However I would like to highlight the importance of scenario analysis which is brought up by both the HLEG group and the Task Force on Climate related Financial Disclosures. In these scenarios banks and insurance firms must pit their businesses plans against a scenario where global temperature rise stops at two degrees. This calls for emissions to peak in three years' time and then drop by more than 60 % by 2050 according to the UN. Needless to say, this will have a profound effect on the fossil industry, especially coal, and of course on those financial actors that support them. Creating scenario based risk assessments, is vital for investors to understand where stranded assets may appear in the future.

For this to happen, the EU must step up their game. They must strengthen the sustainability competence at the European Supervisory Authorities in order to develop and evaluate the financial sector's scenarios over the impact of climate change.

So my message to you today is this: We are in this together, the private and

the public sector. The political system has woken up and is, as we speak, embracing sustainability in the financial system. This will lead to regulatory changes where Sweden's aim is simple: introduce minimum requirements in order to lift the overall quality. Focus on measures to increase transparency in order to reward those who are smart enough to realize that sustainability is the future for investors.

This strategy will be Sweden's sustainable Hyperloop and you are all welcome to join the ride.

Thank you.



Government Offices of Sweden

Speech from Ministry of Finance

Speech by Minister for Financial Markets Per Bolund at Singapore Fintech Festival - RegTech Forum

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Thank you for the opportunity to speak at this conference and a warm welcome to all of you who are here this morning.

I would like to take the opportunity today to share with you some insights from the Swedish FinTech experience. I will also briefly touch upon opportunities and challenges that we face in the near future.

Sweden and Singapore share many similarities. Population wise, we are small countries. Singapore has a population of 5 million, in Sweden we are about 9 million.

Sweden's economy is reliant on highly competitive manufacturing and service sectors and Singapore has followed along the same path. Singapore is indeed, as I have seen during the last few days, home to a thriving FinTech ecosystem and a gateway to Asia.

Given these similarities I believe it is of great value for our two countries to exchange ideas and practices.

Technology-driven change in the financial industry is now taking place at a great speed and this development is here to stay. FinTech spreads across different sectors of the financial markets and is present in for example payments, credit provision, financial advice and insurance. This is in my view a very positive development.

Personally, I believe FinTech may help us to achieve a fundamental change

in the way the financial market works by creating:

- New financing possibilities, such as for example crowdfunding,
- A sustainable financial market where information on environmental impact is disclosed and comparable,
- A safer financial market due to increased transparency, enabled by technological innovation and better systems for monitoring and tracking transactions last but not least
- New, efficient payments systems which ensures electronic payments are safe, easy and immediate.

The question is then, how do we realize this fundamental change of the financial markets and how do we make the best out of emerging technologies to do so. And, what challenges are there along the road?

In this highly competitive world I believe there are three principles of particular importance to reach this vision; Openness, Policy and Cooperation.

Let me explain what I mean.

Openness is to embrace new cultures and new ideas, and in my view all truly innovative places share the fact that they are hubs of different cultures, values and ideas. This creates an environment where new ideas and inventions are born.

Openness is also about increased access to financial services for every citizen regardless of geography and demographics.

My second principle, Policy is about the responsibility of the government to embrace new ideas and to create an environment where these can develop into new successful companies. Policy is also to nudge behavior in the best interest of citizens, companies and the environment.

Finally, success is not possible without my third principle, cooperation – digitalisation knows no borders. Therefore success is dependent on relationships being built on both national and global levels.

Everyone in this room is part of the future of FinTech. We are open and interested in new ideas and some of us are actively involved in creating policies to ensure a level playing field where future ideas can be supported and developed.

I will now share with you some developments in Sweden that in my view illustrates the importance of the three principles I just described.

Sweden is a small exporting nation. That means that we may never take anything for granted and there is a continuous need to embrace and test new ideas.

Openness is fundamental in Sweden, both as we are striving to build an open society for everyone but also to ensure efficient communication with the government. Today, most interactions between companies or citizens of Sweden and the government is digital and most of the transactions are done electronically over the internet.

Turning to government policy, the government must do "the right things" which from a Swedish perspective means using policy tools to support technological development which to a large extent explains Sweden's current position in fintech.

Regarding financial technology, or FinTech, the ground work was laid already in the late 90's. In 1998 it became possible for employees to purchase a personal computer with a tax subsidy. The scheme was called "The home PC reform" and was supported by employers and labor unions.

With the deduction of tax, large tenders that pushed down costs and instalment plans by the employer, people were able to buy state of the art computers at a very good deal. This meant that access to computers was given at precise the same time as the internet was rolled out nationwide.

As new technology required more bandwidth the Swedish government decided to support the building of a nationwide fiber network. This infrastructure investment is still in progress today. Looking into the future, this will of course not replace the need for physical clusters but it opens up for successful companies outside dense populated areas.

Another key to the success of FinTech and other sectors that rely heavily on IT is the state's ability to adapt and offer new ways for the citizens' ability to communicate with the government.

Today, most interactions between citizens of Sweden and the government is digital. For companies, this is even more true. Secure and easy to use electronic identification has been critical to achieve this.

This electronic identification tool has been developed in collaboration with

the private sector, mostly the banks, over many years. Today the Swedish banks are the biggest users. 9 out of 10 transactions with an electronic identity are made by a private person accessing their bank over internet.

Initially it was the government, in fact the tax agency, which had the biggest need to push the usage of electronic identification. This year, 70% of the income tax return forms were submitted electronically. 30 % submitted the income tax returns by using a cell phone, either with a mobile identification or through an app or text-messaging.

The electronic identification tools is also enabling new services, such as mobile payments and remittances with a global reach.

Electronic bank transfers and the use of internet to communicate with your bank have its background in early initiatives such as digital bank transfers for wages, which was introduced in the 1960's.

For a long period the use of cash in Sweden has decreased. Today the value of cash in circulation in relation to GDP is approximately 1.5 percent. In the 1950's this figure was almost 10 percent.

The Central bank also makes surveys on households' payment habits. When asked in September this year, 15 percent answered that they had made their most recent payment in cash. In 2010 this figure was almost 40 percent.

Some argue that Sweden will become a cashless society within a couple of years. The policy issue here is rather access to cash. A majority of bank branches do in fact no longer keep cash on hand or take cash deposits.

The decrease in the use of cash started in the 1990s when the Swedish banks started charging for cheques, and instead promoted the use of credit and debit cards. These cards are today the main form of payments and their success, in combination with a number of electronic payment initiatives in recent years, is the main explanation for the low use of cash in Sweden.

My last principle is about cooperation. Digitalisation has no borders; this is one of the reasons I am here to share and to learn. Cooperation is essential, nationally, EU-wide and internationally.

I believe Sweden's business friendly environment has been a growing ground for all FinTech companies that have been established but also a more general culture of working together coupled with an interest in participating in internationals foras.

At the national level, banks in Sweden have historically joined together to enhance citizens access to cash and payment infrastructure. I have mentioned card payments, where the banks have one single network, and the electronic identification tools. The latest example is "Swish" a mobile payment application for real-time payments, using phone numbers.

Today, with new companies emerging, the trend both nationally and internationally is banks cooperating with startups in order not to lose momentum.

Another example of national cooperation in Sweden is a Financial Sector Public-Private Partnership in Sweden, what we call the "FSPOS". The members are financial institutions such as banks, insurance companies, clearing organizations and public authorities.

The purpose of FSPOS is to work together for a resilient financial infrastructure by sharing information on operational risks and suggest measures for improvements. Experts from FSPOS member organizations meet regularly in order to analyze risks and interdependencies in financial services, develop best practices for continuity management and crisis communication.

Let's now turn to the present. What are we doing today to facilitate the development of FinTech in Sweden?

To improve success for early stage growth companies in Sweden the government has recently taken steps to improve its public venture-capital system. A new public fund-of-funds investment company has recently been founded, which will only invest in private venture capital funds. That means no direct investments in companies as we believe it is up to the market to decide which investments are profitable and which are not. The goal is to secure financing to startups and scaleups in phases of development and segments of the market where the lack of private funds are most challenging.

Being a member of the European Union, we have several initiatives which we look forward to. These initiatives will in our view further enhance FinTech development. I will highlight three important areas.

First, New EU regulation on payment services, the Payment Services Directive 2, PSD2 has recently been adopted. The aim is primarily to help develop an EU-wide market for electronic payments and create better conditions for secure and efficient payments. The directive forces current

payment infrastructures – in Sweden they are mostly dominated by banks – to open up for competition and access which enables more companies to join the current payment infrastructure. This should benefit the customers both from a diversity perspective as well as from a price perspective.

Second, there is a stream of initiatives within the Capital Markets Union. The CMU is part of the investment plan for Europe to boost jobs and growth by facilitating increased cross-border investments within the EU and diversified funding for companies, especially SMEs.

The accelerating reform communication on the next steps for CMU, presented in September this year, specifies that the rapid growth of FinTech has the power to transform EU-capital markets and that the CMU must keep pace with technological developments. The Commission's aim is to ensure that the regulatory environment strikes an appropriate balance between building confidence in companies and investors, protecting consumers and providing the FinTech industry space to develop. We could not agree more and welcome this work on the European level.

The CMU initiative includes several other important work streams, one of which is to reduce barriers for cross-border distribution of financial services. The Commission will shortly present an action plan on retail financial services which will strengthen retail investor participation in capital markets. The action plan will also open up the European market for retail financial services to deliver better results for consumers and companies.

Last but not least, one important area of CMU is the work to develop a comprehensive European strategy on green finance. From a Swedish perspective we strongly support this strategy. Climate Change is one of those defining issues that unite humanity. I can't emphasise enough how important it is that we all take action now to bend the curve and propel us to an emission free future. Within finance, we must support the development of a sustainable financial market and make investment decisions that support a sustainable growth path, these decisions must be aligned with the Paris agreement. Openness and policy are key words here, for example policymakers should require companies to disclose their environmental impact in a comparable way.

Finally I would like to reflect upon the future and bring up some challenges as we see them.

In the financial industry in general, there is, as we all know, work to be done

for participants to comply with regulations and for policymakers to make sure businesses can thrive notwithstanding the large amount of regulation being implemented in Europe and globally.

Here I see a potential for FinTech companies helping financial institutions to comply with regulations; Regtech development can facilitate compliance and make it less burdensome.

It is in my view both a responsibility and an opportunity for a government to support and promote this development; nationally, in the EU and globally. I can today in Singapore with my cellphone pay my bills in Sweden and I can even send some money to my child via SEQR without any additional cost using only my cellphone. The opportunities are vast.

However development is proceeding at a rapid pace; technical innovation goes faster than we as legislators can adjust the legal framework to fit a new era while at the same time making sure new risks are properly addressed.

Technological neutrality in legislation is a difficult thing, but should always be sought after.

Opportunities also come with challenges. Cyber risks as well as money laundering and terrorism financing are key risks that we need to work with. If we do not pay proper attention to these risks as we develop the legislative framework, they may threaten financial stability, our companies and consumers.

A major challenge for any country, striving to be a leading FinTech nation is to fight money laundering and terrorism financing effectively, without stopping the development of a digital financial infrastructure that we see can be of such benefit to all citizens.

As a legislator, the balance between access and opportunity for customers and companies and the risks threatening the same is a difficult but important task we have in front of us.

There is unfortunately no magic wand to secure the development of financial technology keeping with both risks and challenges ahead. But, with a good degree of openness, the right policies and proper cooperation I think we are well equipped to also face future challenges.

So to conclude my speech here today:

- Openness -the government must "do the right things" and this mainly comes down to providing infrastructure and creating a thriving business environment. That means it must be simple and not time consuming to either start a company or to seek funding for further expansion.

- Policy – clear, proportionate and well considered regulation must be enacted. From my experience, good regulation does not inhibit growth, regulation secures that everybody are playing by the same rules. Here, as noted before, a balancing act between securing further growth of a sector must be balanced towards consumer and investor protection.

- Cooperation – by meeting, discussing as we do today, and further share best practices and ideas, we can together strive for further FinTech development and make sure the challenges we meet along the road can be met, safeguarding both a thriving FinTech eco-system as well as customer protection and regulatory compliance.

On that note I will conclude from my side this morning. Thank you for listening.



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Speech from Ministry of Finance

Speech by Per Bolund at COP21- Ministerial Meeting on Financing Climate Change Adaptation in Least Developed Countries

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Excellences, colleges, distinguished guests, ladies and gentlemen,

I would like to thank the under-secretary-general Acharya and ms Todd from the ONE campaign for organising for organizing this important event and for inviting me to address you here today. Few issues could be more important.

Climate change is the challenge of our time – it affects all countries, but the consequences are worst for the poorest and most vulnerable. Addressing the needs of the least developed countries in adapting to climate change must be at the core of our common efforts to combat climate change and its impacts.

Climate change is not about something in the future. It happened yesterday and it is happening now. Words need to be backed up by action. This is not a matter of choice, but a matter of survival. Sweden is committed to assume its share of responsibility.

Here in Paris we need a strong outcome. We are aiming for a global, fair and legally binding agreement that over time will keep the average global temperature rise as far below two degrees Celsius as possible. The developed countries should lead the way by making ambitious commitments.

It is essential that the voices of LDCs are acknowledged and listened to in

the negotiating room. Sweden will continue to act as a bridge builder and promote the perspectives of LDCs. I am pleased that my Government has been able to contribute financially to the negotiation capabilities of the Least Developed Countries.

Sweden will show leadership on climate change mitigation and we intend to be one of the world's first fossil-free countries, with zero net emissions of greenhouse gases by 2050. We challenge other countries and actors to do the same.

Friends,

Sweden has taken a leading role in climate finance and we remain firmly committed to the goal of mobilising 100 billion USD annually by 2020. Our contribution of 580 mUSD to the Green Climate Fund is the most ambitious commitment per capita. Sweden is also one of the largest donors to the Adaptation Fund, the Least Developed Countries Fund and the Global Environmental Facility. Next year we intend to nearly double our multilateral climate support to developing countries, including 17 million USD to the Adaptation Fund and 11,5 million USD to the Least Developed Countries Fund. I can promise you that our engagement will remain strong.

It is positive that the Green Climate Fund has a clear focus on least developed countries and that the Least Developed Countries Fund has demonstrated its ability to play a vital role in supporting adaptation efforts by countries.

We welcome the pledges to the LDCF made at the meeting here in Paris on 30 November, of around USD 248 million.

Friends,

The issue of access to climate finance is vital. Effective absorption is a key factor when considering how funding access by LDC's can be improved. Increased direct access has been a welcome reform over the last several years. At the same time, the role of international organisations in project planning, capacity-building and other areas will continue to be crucial given capacity constraints that often exists in LDC's.

Sweden is continuously working within the boards of the larger climate funds to make the financial means more readily accessible. those most in need, should be first in line.

We look forward to working with all of you for resilient and safe LDCs.

And we will continue to back up our words with action. Thank you.