



20 February 2014

Financial Stability Council

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**Minutes from the meeting of the Financial Stability Council held on 10
February 2014**

Present:

Ministry of Finance
Peter Norman, chair
Johanna Lybeck Lilja
Pål Bergström
*Finansinspektionen (Swedish Financial
Supervisory Authority)*
Martin Andersson
Martin Noréus
Henrik Braconier
Swedish National Debt Office
Hans Lindblad
Mårten Bjellerup
Daniel Barr
The Riksbank (Swedish central bank)
Stefan Ingves
Kerstin af Jochnick
Kasper Roszbach

Peter Norman extended a welcome to the first meeting of the Financial Stability Council. The meeting was a start-up meeting and dealt with the financial stability situation, working procedures and the coming meeting on 23 May. By way of introduction the Ministry of Finance also provided information on current regulatory issues.

§ 1 Information on regulatory issues

Johanna Lybeck-Lilja presented information on current regulatory issues. Under the EU Capital Requirements Regulation as of now and for a couple of years to come a regulatory framework will be drawn up for the liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and leverage ratio. In addition the tools for macroprudential oversight within the EU capital requirements regulatory framework (CRR and

CRD 4) are to be reviewed. The Ministry of Finance emphasised the need to carefully follow these processes and where possible work proactively.

§2. The financial stability situation

Finansinspektionen and the Riksbank presented their respective views of the current stability situation. Finansinspektionen summarised the situation as being relatively unchanged since last autumn. The major Swedish banks appear to be relatively strong as regards profitability and capital adequacy in relation to risk-weighted assets despite their having a low gross leverage ratio. The banks' dependency on market funding in foreign currency was highlighted as a major risk. Household indebtedness is also a potential problem.

The Riksbank shared Finansinspektionen's assessment and supplemented the situation report with the potential risks that are related both to turbulence in some emerging markets and the falling property prices in Norway. In addition it was noted that the price increase in tenant-owned apartments in particular has been significant in Sweden and that too few households are making mortgage repayments.

At the same time, Finansinspektionen and the National Debt Office emphasised the importance of and need for more in-depth analysis; both in the assessment of the current situation and in analysing the need for measures and their impact.

The subsequent discussion showed relatively great consensus on the stability situation and the overall risk picture in Sweden. Among the risks mentioned that need to be monitored and analysed were the banks' dependency on market funding in foreign currency, their relatively low leverage ratio, the size of the banking system in relation to the size of Sweden's economy and household indebtedness that continues to increase. The Council agreed that financial stability needs to be further strengthened.

§3. Next meeting

The Council discussed the need for analysis ahead of the May meeting. The Council instructed the preparatory group to prepare analyses concerning alternative measures to strengthen financial stability and the impact these measures will have on the economy.