



**The Financial Stability Council**

**Memorandum of Understanding with respect to cooperation regarding financial stability and crisis management**

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This Memorandum of Understanding (MoU) has been drawn up between the Government Offices (Ministry of Finance), Sveriges Riksbank, Finansinspektionen and the Swedish National Debt Office, hereinafter referred to as the parties.

**1. Background and purpose**

The financial system plays an important role in the economy. The financial system functions well if it can fulfil its three basic functions – mediation of payments, conversion of savings into funding and risk management. To function well, the system must also be stable insofar as it is resilient to shocks that threaten these functions. A serious crisis in the financial system risks leading to extensive economic and social costs. Consequently, forceful preventative work and efficient and effective crisis management are of considerable importance. A well-functioning financial system is therefore necessary for the economy to function and grow.

The authorities that have entered into this MoU all have different tasks with the aim of promoting financial stability. The Government (through the Ministry of Finance) is responsible for regulation on the financial market and has the overall responsibility for crisis management. Finansinspektionen is responsible for supervising financial companies and financial markets and for implementing measures to counteract financial imbalances. The Swedish National Debt Office is the resolution authority, the guarantee authority regarding the deposit guarantee and investor protection, and is responsible for preventive government support. Sveriges Riksbank shall promote a secure and efficient payment system. Sveriges Riksbank has responsibility for a central payment system and the currency reserve and can provide liquidity if financial stability is threatened.

Representatives of the authorities meet regularly in the Financial Stability Council. The Council discusses issues relating to financial stability, the need for measures to counteract the build-up of financial imbalances and, in the event of a financial crisis, the need for measures to manage such a situation.

The authorities have the responsibility for managing a financial crisis affecting Sweden. To achieve as appropriate and efficient crisis management as possible, the authorities shall therefore promote joint and concerted action within their respective remits.

Cooperation and knowledge exchange among the authorities is also important when it comes to the preventive work done, for example, in the Financial Stability Council. The same applies in international contexts as financial companies increasingly operate across national borders.

This MoU describes the authorities' remits, tasks and roles in the work of promoting financial stability and in crisis management. The aim of the MoU is to make a declaration of intent regarding cooperation, information sharing and knowledge exchange in order to achieve appropriate crisis management and promote financial stability in Sweden.

The MoU is not legally binding. The cooperation and information-sharing described in the MoU does not alter the responsibilities or the decision-making powers of the respective parties in relation to their tasks.

This MoU replaces the one entered into between the parties in May 2009. The main reason for a new MoU is that the authorities have been given new roles in the work on financial stability and crisis management since 2009 and that the Government established the Financial Stability Committee (Dir. 2013:120) in 2013 thereby creating the Financial Stability Council.

## **2. The authorities' responsibility for financial stability and crisis management**

There is a framework for financial stability and crisis management, established by the Riksdag in legislation and in EU regulations. The different roles of the parties in the work are described below. However, they also have a joint responsibility to safeguard financial stability through close and efficient cooperation.

*The Ministry of Finance is responsible for rule-making and the processing of government decisions on certain measures*

The Ministry of Finance is responsible for drafting regulations for companies, trade and services on the financial markets and in the financial system. The regulations shall aim to achieve well-functioning markets, financial stability and a high level of consumer protection. The Ministry of Finance monitors developments on the financial markets and initiates changes in the regulatory framework if and when required. The Ministry of Finance is also responsible for implementing European directives and adapting Swedish legislation to EU regulations in the financial market field.

The Ministry of Finance and the Government also have an overall responsibility for crisis management and its coordination. In addition, the Government has the task of examining certain issues connected to financial stability. These include resolution measures that may have direct budget or system effects and agreements on preventive government support to credit institutions. The Ministry of Finance is responsible for processing these issues and for drafting proposals for government decisions

*Finansinspektionen is responsible for supervision*

Finansinspektionen is the supervisory authority for financial companies and financial markets. An authority under the Government, Finansinspektionen is responsible for supervision, rule-making and license applications and has the right to intervene if a company does not abide by the legislation. One of the consequences of this responsibility is that Finansinspektionen determines capital and liquidity requirements for banks and other financial companies. In its work, Finansinspektionen shall strive to ensure that the financial system is stable and characterised by a high level of trust with well-functioning markets that satisfy the need of companies and households for financial services.

Finansinspektionen does this partly by regularly analysing and monitoring developments in the financial system in order to detect vulnerabilities and risks at an early stage, and partly by conducting detailed investigations into conditions in individual companies.

Finansinspektionen is also responsible for implementing measures to counteract financial imbalances with the aim of stabilising the credit market and thereby has the main responsibility for macroprudential policy.

*The Swedish National Debt Office is the resolution, support and guarantee authority*

The Debt Office is an authority under the Government responsible for managing crises in banks and financial companies. It is also the government's central financial administration with a responsibility for government borrowing and government payments. Further, it is the resolution authority, support authority and guarantee authority. As resolution authority, the Debt Office can, by means of resolution, wind up or reconstruct failing credit institutions and securities companies in a way that maintains critical functions and without any significant impact on financial stability. The Debt Office shall also plan for how and ensure that such institutions can be managed by means of resolution in the event of a financial crisis. Among other things, this means that, for every such institution, the Debt Office decides on a minimum requirement for loss-absorbing capital and eligible liabilities so that the institution can absorb losses and be recapitalised in the event of resolution. As support authority, the Debt Office shall prepare and implement measures regarding preventive government support. As guarantee authority, the Debt Office is responsible for the deposit guarantee and investment protection.

Within the framework of these tasks, the Debt Office also manages the resolution reserve, stability fund and deposit guarantee fund.

*Sveriges Riksbank shall promote a secure and efficient payment system and can provide liquidity in the event of a financial crisis*

The Riksbank shall promote a secure and efficient payment system. The Riksbank endeavours to prevent threats to financial stability by regularly analysing and monitoring developments in the financial system in order to detect risks and vulnerabilities at an early stage. The Riksbank takes decisions on providing liquidity to the financial system and the terms and conditions on which this takes place. This may involve adjusting the terms and conditions for banks to borrow funds at the Riksbank temporarily or providing liquidity support to individual institutions on special terms and conditions. The Riksbank has a currency reserve making it possible to take decisions on liquidity support in foreign currency. Part of the task of promoting a safe and efficient payment system is to supply the central payment system RIX, which processes large payments between banks and certain other participants, and to be responsible for the country's cash provision.

*The Financial Stability Council*

The Financial Stability Committee consists of the Financial Stability Council, a preparatory group and a secretariat. The Financial Stability

Council is a forum at which representatives of the Government, Finansinspektionen, the Swedish National Debt Office and the Riksbank regularly meet to discuss issues of financial stability, the need for measures to counteract the accumulation of financial imbalances and, in the event of a financial crisis, the need for measures and coordination to manage such a situation. The Council does not take any decisions; it discusses only the potential need for measures. The Government and the authorities take decisions on possible measures themselves within their respective remits. The Minister for Financial Markets chairs the Council.

The preparatory group is responsible for planning and preparing Council meetings and contributing to regular information sharing. The members of the preparatory group are appointed by each party respectively.

The Council normally meets twice a year and the preparatory group meets once a month. If need be they will meet more often.

#### *International cooperation*

Sweden is a small, open economy and a country with a large financial sector in relation to its economy in general. The financial market is internationally integrated and financial companies often operate cross-border. It is therefore important that the parties participate in international cooperation forums for standard-setting in the financial field so that they can promote Swedish standpoints and interests and contribute to financial stability.

To promote financial stability, the parties take part in international policy discussions and in committees and working groups regarding issues concerning financial regulation, supervision and crisis management, within organisations such as the European Union (EU), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS), the Basel Committee on Banking Supervision and the Financial Stability Board (FSB).

Some of the parties also cooperate with their corresponding authorities abroad within the framework of the supervision and resolution colleges established in the EU for cross-border institutions.

### **3. Authorities' cooperation, information sharing and knowledge exchange regarding financial stability and crisis management**

#### *Cooperation*

The parties shall cooperate with the aim of promoting financial stability and developing well-functioning crisis management. Effective cooperation assumes that each authority acts according to the allocation of roles and responsibilities described above. Cooperation takes place within frameworks such as the Financial Stability Committee, FSPOS (a group for private-public cooperation in the financial sector) and FCP ES (Forum for Crisis Preparedness - Economic Security). The acts and ordinances that govern the parties' operations regarding financial stability include more detailed provisions on consultation and information sharing when dealing with cases in accordance with each regulatory framework respectively.

The authorities shall endeavour to ensure that cooperation takes place on relevant levels in each authority respectively with regard to the type of issue and its significance.

#### *Information sharing and collection*

To promote financial stability, the parties shall be regularly share information and data within the framework of applicable confidentiality rules and other regulations in the area. For crisis management to function well, it is particularly important for the parties to inform each other without delay about their assessment of the situation and what measures may be appropriate to take in connection with events that may be deemed a threat to financial stability.

The parties should also:

- Inform each other about events or tendencies of significance to financial stability.
- Provide information about the work on crisis preparedness within each organisation and plan for joint efforts with regard to crisis preparedness.
- Provide information about international work in the field and consult each other on stances regarding international cooperation.
- Provide information about important changes regarding internal organisation, guidelines or similar, when these may have significance for the work on financial stability and crisis management.

One aim shall be to coordinate the information provided to international organisations.

The parties shall strive to cooperate in order to avoid collecting and processing information with the same content that they can just as easily share. The goal of the cooperation on information collection is to reduce the workload for both the companies reporting data and the parties. When one or more of the parties need access to information with a similar content, the parties should aim to coordinate its collection as much as possible.

The parties shall strive to identify and remove obstacles and limitations regarding the collection and sharing of information and data. The parties intend to establish the technical conditions for efficient and secure communication so that they can share sensitive and non-sensitive information.

In order to facilitate information collection and sharing, it is the parties' intention to, where necessary, enter into special agreements – also bilaterally – regarding information sharing in specific areas.

The parties shall work to organise joint crisis exercises and establish routines for cooperation in the event of a financial crisis.

#### *Knowledge exchange*

The parties shall exchange general information related to each authority's area of expertise, including crisis and scenario exercises, conferences, seminars and working groups. An authority may invite employees from the other authorities to take part in various contexts, aimed at knowledge exchange.

#### **4. Reference to other relevant agreements**

The parties may enter into detailed agreements in areas where the forms of cooperation need to be more closely specified. The parties undertake to inform the Financial Stability Committee when new agreements enter into force, or are concluded in some other way. These are listed in the Appendix, which is regularly updated by the Financial Stability Committee. The detailed agreements listed in the Appendix may be amended or deleted, and new ones may be added, without changing this MoU.

#### **5. Review of the MoU**

The MoU is valid until further notice. The MoU should be reviewed and updated on a regular basis, at least every second year.

**6. Entry into force**

This Memorandum of Understanding will begin to apply when all the parties have signed it. At the same time, the MoU of May 2009 will cease to apply. This Memorandum of Understanding has been drawn up in four identical copies, with each party taking one copy.

Stockholm, 7 December 2016

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State Secretary

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Stefan Ingves  
Governor of the Riksbank

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National Debt Office

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