

Memorandum of Understanding between the Government Offices (Ministry of Finance), Sveriges riksbank, Finansinspektionen and the Swedish National Debt Office regarding cooperation in the fields of financial stability and crisis management

Purpose and background

The Government Offices (Ministry of Finance), Sveriges riksbank (hereinafter referred to as the Riksbank), Finansinspektionen (the Swedish Financial Supervisory Authority) and the Swedish National Debt Office all have tasks relating to the stability of the financial system. Each of them also plays a role in the management of financial crises. The purpose of this Memorandum is to establish guidelines for consultation and the exchange of information between the parties in the areas of financial stability and crisis management.

In this document, financial stability means the ability of the financial system to maintain its basic functions without disruptions that entail significant economic costs. A threat or disruption to financial stability could, for example, be where one or more important financial institutions are threatened by bankruptcy or default, where the payment system is threatened or where there is a risk that important markets will not function. It is not feasible to define financial stability in more precise terms, however. Financial crisis management is taken here to mean making assessments of, informing about and, if necessary, taking measures in the event of acute problems in the financial system.

The background to this Memorandum is that multilateral Memorandums of Understanding (MoU) have been concluded in the EU between finance ministries, central banks and supervisory authorities in all of the Member States.¹ These multilateral Memorandums deal with consultation and information sharing with regard to cross-border issues relating to financial crisis management and presuppose that there are national mechanisms for cooperation.

This Memorandum replaces the one entered into in June 2005 between the Ministry of Finance, Finansinspektionen and the Riksbank. The main reason for this is that the Swedish National Debt Office has been appointed as a supporting authority under the Government Support to Credit Institutions Act (2008:814) and has thus been given an important role in the fields of financial stability and crisis management.

The Memorandum consists of two sections. The *first* section covers that part of the cooperation that concerns all four parties. This cooperation relates only to matters concerning financial stability and crisis management. The Memorandum does not cover other relations between the

¹ "Memorandum of Understanding on cooperation between the Banking Supervisors, Central Banks and Finance Ministries of the European Union in Financial Crisis Situations" from July 2005 and "Memorandum of Understanding on cooperation between the Financial Supervisory Authorities, Central Banks and Finance Ministries of the European Union on Cross-Border Financial Stability" from June 2008.

parties. One example of such a relation is that Finansinspektionen and the National Debt Office, as public authorities under the Ministry of Finance, are governed, among other things, by regulations and annual letters of instruction.

The *second* section of this Memorandum relates only to Finansinspektionen and the Riksbank. It partly covers the cooperation between these two parties over and above that relating to financial stability and crisis management, and partly provides a more detailed description of the division of labour and cooperation between them.

Section I

Consultation and information sharing between the Ministry of Finance, the Riksbank, Finansinspektionen and the National Debt Office

The tasks of the parties regarding financial stability and crisis management

The tasks of the respective organisations as regards financial stability and crisis management can briefly be described as follows:

Finansinspektionen is the supervisory authority for financial companies and marketplaces. Its main objectives are to contribute to the stability and efficiency of the financial system, by setting standards, issuing licences and supervision, and to actively promote satisfactory consumer protection. Finansinspektionen has the task of regularly monitoring and analysing developments in the financial sector, in order to be able to identify risks at an early stage and detect any signs of financial instability. Supervision covers all financial companies, but special priority is given to the systemically important corporate groups - more specifically to their financial strength and risk management capacity. Finansinspektionen's supervision provides the authority with information on the development of individual companies and thus on the financial sector as a whole. In the event of problems in a financial company, Finansinspektionen assesses the causes and consequences of the problems and can take measures against the company concerned.

The Riksbank's mission is to promote a safe and efficient payment system. The Riksbank oversees the development of the financial system as a whole, with a focus on institutions, markets and infrastructure of importance to financial stability, and presents its views on risks and inefficiencies in the financial system. In exceptional circumstances, the Riksbank is also able to provide special liquidity assistance to financial companies that are under the supervision of Finansinspektionen.

The Ministry of Finance is responsible for legislation in the financial sector. Its objectives are stability, efficiency and a high level of consumer protection. Financial stability is also an important precondition for economic stability. The Ministry of Finance also needs to follow the development of the financial system at an overall level. In the event of a crisis, the measures available to Finansinspektionen and the Riksbank may prove to be inadequate or inappropriate. In such a case, the Ministry of Finance is able to initiate and draft other types of measure, including measures that require a decision by the government or by parliament. In accordance

with the Government Support to Credit Institutions Act, the government also makes decisions on support in certain cases.

The Swedish National Debt Office is a supporting authority under the Government Support to Credit Institutions Act. This entails responsibility for entering into support agreements and administrative duties relating to the support provided on the basis of this Act. The National Debt Office is also responsible for the deposit guarantee system.

Each of the parties is solely responsible for its tasks. The consultation and information sharing mentioned in this Memorandum does not therefore alter the responsibilities or the decision-making powers that the respective parties have in relation to their tasks.

Information sharing

In order to promote financial stability and achieve efficient crisis management, the parties should, in connection with events and developments that may be deemed to constitute a threat to financial stability, inform each other as quickly as possible of their assessments of the situation and of what the appropriate measures may be, and otherwise provide each other with information to the extent permitted by valid secrecy regulations.

One aim is to coordinate the information provided to external recipients, even though this will not always be possible.

In the case of international contacts concerning threats to stability, each party will normally be responsible for contacts with their respective counterparts in other countries.

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 co-operation.
- 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.

Consultation group

A consultation group has been established to enable consultation and information sharing between the four parties in accordance with the above. This consists of the State Secretary at the Ministry of Finance with responsibility for financial market matters, a member of the Executive Board of the Riksbank, the Director General of Finansinspektionen and the Director General of the National Debt Office. Individuals other than the above may, however, also participate in the meetings of the consultation group.

The consultation group has the task of assessing financial stability and systemic risks. The group should also develop routines for the coordination of risk management, including which party should coordinate the work of the group in various situations.

The consultation group should also organise crisis exercises and develop routines for cross-border communication.

In the event of acute threats to financial stability, the consultation group has ultimate responsibility for ensuring that consultation and information sharing take place to a sufficient extent.

The consultation group may also discuss other issues of common interest, if appropriate.

The consultation group should meet at least quarterly, but the group may also be convened at short notice should any member deem this to be necessary. The representative of the Ministry of Finance chairs the group and responsibility for calling meetings, agendas and minutes rests with the Ministry.

A drafting group made up of officials should be in place to prepare the consultation group's work and to facilitate consultation and information sharing.

Evaluation

The consultation group will evaluate the work conducted in accordance with this section of the Memorandum.

Section II

Particulars regarding cooperation and information sharing between Finansinspektionen and the Riksbank

Purpose and role allocation

Over and above the cooperation agreed on in Section I, there is reason to further specify the cooperation between Finansinspektionen and the Riksbank. This is partly because the cooperation between these two authorities is more extensive than that discussed above and partly because there is reason to elucidate the division of roles between the Riksbank and Finansinspektionen in relation to external parties. Unlike Section I, this section aims to be as comprehensive as possible as regards the relations between the Riksbank and Finansinspektionen.

The Memorandum is based on the regulations that govern the authorities' activities and that express obligations with regard to consultation and information sharing in various areas.² There are also international memorandums on these issues.³ In addition, there is regular practical cooperation and information sharing on a more or less informal basis in various fields and at various levels.

As follows from the description of their tasks in Section I, Finansinspektionen and the Riksbank have in part an identical objective – to foster the financial system's stability as well as its efficiency – but different instruments for achieving this objective. Their common objective means that a certain amount of overlap in their activities is unavoidable. Finansinspektionen has the task of exercising supervision over financial companies, in particular those that are of the greatest significance to the stability of the system, and of working for orderly financial markets by supervising securities trading on stock exchanges and other marketplaces. The Riksbank's mission is to promote a safe and efficient payment system. The Riksbank oversees the development of the financial system as a whole, with a focus on institutions, markets and infrastructure of importance to financial stability, and presents its views on risks and inefficiencies in the financial system. In exceptional circumstances, the Riksbank is also able to provide special liquidity assistance to financial companies that are under the supervision of Finansinspektionen.

Both of the parties continuously assess the state of the financial sector and the potential threats to stability. The joint ambition of Finansinspektionen and the Riksbank to assist one another and to promote close cooperation should be seen against this background. Cooperation is particularly necessary when the respective areas of responsibility overlap in order to enable Finansinspektionen and the Riksbank to carry out their tasks efficiently. The two authorities therefore strive to develop effective forms for contacts and cooperation, to avoid unnecessary duplication of work and to limit the workload of the companies that are required to report data.

² Finansinspektionen's Instructions 2009:93, The Sveriges Riksbank Act 1998:1385 and the Act on Systems for the Settlement of Obligations in the Financial Market 1999:1309.

³ "Memorandum of Understanding on co-operation between payment systems overseers and banking supervisors in stage three of the economic and monetary union" (2001), "Memorandum of understanding on high-level principles of co-operation between banking supervisors and central banks of the European Union in crisis management situations" (2003) and "Memorandum of Understanding on Cooperation between Financial Supervisory Authorities, Central Banks and Finance Ministries of the European Union on Cross-Border Financial Stability" (2008).

The Riksbank and Finansinspektionen make independent decisions within their areas of responsibility in accordance with the decision-making processes that apply at the respective authorities.

Consultation, information sharing and collection of information

General

Finansinspektionen and the Riksbank should strive for an efficient exchange of information and experience and a culture that promotes cooperation. It is desirable to have regular contacts at all levels. As part of this, both authorities should consult one another in the event of any major policy decision that could have repercussions for the other authority's area of responsibility.

Information sharing and collection of information

Finansinspektionen and the Riksbank should have routines that enable the other party to easily find out what information the other authority possesses. Each authority should provide the other with the requested information, to the extent permitted by the Sveriges Riksbank Act, the Instructions for Finansinspektionen, the Secrecy Act (1980:100) and international agreements.

Finansinspektionen and the Riksbank should cooperate to avoid the collection and processing of similar data. The aim of the cooperation on data collection is to reduce the workload for both the companies reporting data and the two authorities. When both authorities need access to similar data, the authorities should coordinate the collection of this data.

In order to enable efficient information sharing, Finansinspektionen and the Riksbank should cooperate in their international contacts with central banks, supervisory authorities and financial companies.

The two authorities should also strive to make the best possible use of one another's competence and experience in the field of financial stability and efficiency. In this context, the authorities should make it easy for each other to follow the work at the other authority and inform each other of the results of their work.

Forms of cooperation

In addition to the cooperation that takes place in the consultation group mentioned in Section I, Finansinspektionen and the Riksbank have three other groups for cooperation.

The heads of the departments with primary responsibility for stability in the banking sector, or representatives appointed by them, meet at least four times a year to discuss matters of common interest regarding stability in the financial system.

The heads of the departments with main responsibility for financial market statistics, or representatives appointed by them, meet at least twice a year to discuss issues regarding statistical requirements, collection techniques, coordination, and international work.

The heads of the departments with primary responsibility for the oversight of clearing and settlement, or representatives appointed by them, meet at least four times a year to discuss matters of common interest regarding stability in the financial system.

Minutes should be taken at all of these meetings.

Evaluation

The Director General of Finansinspektionen and the relevant member of the Executive Board of the Riksbank will evaluate the authorities' information sharing and other cooperation in accordance with this section of the Memorandum.

Entry into force

This Memorandum will begin to apply when all the parties have signed it. At the same time, the Memorandum of June 2005 will cease to apply.

This Memorandum has been drawn up in four identical copies, one for each of the parties.

Stockholm, May 2009

Urban Karlström
State Secretary

Lars Nyberg
Deputy Governor

Martin Andersson
Director General

Bo Lundgren
Director General