

Banks in Sweden

Facts about the Swedish banking market

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Swedish Bankers' Association

The Swedish financial market

The economic role of the financial sector

Efficient and reliable systems for saving, financing, mediating payments, and risk management are of fundamental importance for Sweden's economic prosperity. These systems are operated by banks and other credit institutions, insurance companies, securities companies and other companies in the financial sector. The financial sector channels in an efficient way society savings to investment and consumption, such as household needs to smooth out consumption of various life stages and the need for companies to finance investment.

The financial industry account for almost four per cent of the country's total output, expressed as its Gross Domestic Product (GDP). Around 100,000 people, representing about two per cent of the total workforce in the country, work in the Swedish financial industry.

Types of financial enterprise

The financial companies' overall balance sheet in 2007 was SEK 13 800 billions. The three largest groups of companies on the Swedish financial market, measured in total assets, are banks, mortgage institutions and insurance companies. Securities companies' total assets are modest in relation to other financial companies, but they play an important role in its part of the financial market. Banks' share of the total assets of the financial market was 44 per cent at the end of 2007.

Market changes

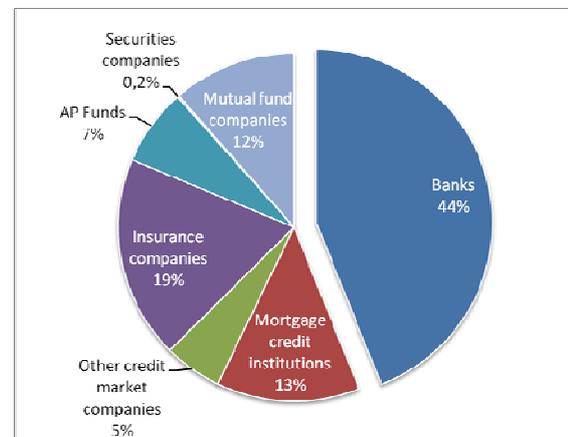
The financial sector is experiencing a significant change in structure. Established companies have broadened the scope of their business, while many new companies, both Swedish and foreign, have entered the market. One important change has been the industry slip be-

tween banking and insurance. It has led to that all Sweden's major banks are involved in the life insurance business and some insurance companies have their own banks.

Another change is that branch offices have become less important for bank customers' daily services. Instead the customers tend to make normal bank services through their internet bank. Furthermore, opportunities to perform bank services in different ways have increased, e.g. cash- and debit card payments, cash withdrawals in supermarkets and credit applications in chain stores. These new channels of distribution have enabled the development of new services while existing services has changed. The new technology has also paved the way for the establishment of new banks and increased competition in banking.

Moreover, mutual funds and insurance savings have developed into major forms of savings. In recent years bank savings have increased and are now the largest household savings form. In the same time savings in bonds have declined in importance. Over 75 per cent of the population have some of their savings in funds or equities, which are a high percentage by international standards.

Players on the financial market, Dec 2007



Source: Sveriges Riksbank

Structure of the banking industry

Number of banks

There are four main categories of banks on the Swedish market: Swedish commercial banks, foreign banks, savings banks and co-operative banks. In November 2008 Sweden had a total of 123 banks. The number of commercial banks and foreign bank branches in Sweden has increased from 43 in 2000 to 64 in November 2008. It is primarily more foreign banks that contributed to the increase. Also the number of Swedish commercial banks increased, including new internet- and telephone banks as well as securities firms and credit market companies that has become banks

Swedish commercial banks

Swedish commercial banks are divided in three categories. The largest are the four big banks: Swedbank, Handelsbanken, Nordea and SEB. These banks are important players on most segments of the financial market, and they e.g. account for more than 75 per cent of the deposits from the public. Alongside the four big banks, there are a larger number of smaller, Swedish-owned commercial banks with diverse business focus and ownership structure. Some of these are savings banks that have been converted into joint stock companies, often with Swedbank as a shareholder. Most of the other commercial banks are formed during the mid nineties and until today. They are mainly focused on the retail banking market and distribute their products and services online or through telebanking. Some of the most recently established banks are Avanza, and HQ.

Foreign banks

The first foreign bank was established in 1986, when foreign banks were first allowed to open subsidiaries. During a few years in connection with the financial crisis in the beginning of the nineties the number of foreign banks declined.

Foreign banks were permitted to open branches in 1990 and since then they have increased. In November 2008 they reached 33. Most foreign banks focus on the corporate banking and securities market. The largest foreign bank is Danske Bank, which became the fifth largest bank when it acquired Östgöta Enskilda Bank in 1997 and set up "provincial banks".

Savings banks

There are numerous independent savings banks in Sweden. Generally, they are small and active in regional or local markets. Most savings banks operate in co-operation with Swedbank as regards technical solutions and the provision of a common range of products and services. The number of savings banks has declined due to that small savings banks have merged.

Co-operative banks

A co-operative bank is an economic association which has as its purpose to produce bank services for its members. To be able to use the bank services of a co-operative bank the customer must become a member by paying a member share. There are two relatively small co-operative banks in Sweden.

Number of banks in Sweden

Type of bank	2000 (Dec)	2008 (Nov)
Swedish commercial banks	22	31
- of which four big banks	4	4
- of which former savings banks	9	12
- of which other Swedish commercial banks	9	15
Foreign banks	21	33
- of which subsidiaries	2	4
- of which branches	19	29
Savings banks	79	57
Co-operative banks	2	2
Total	124	123

Source: The Swedish Financial Supervisory Authority (Finansinspektionen)

Banks function

Deposits and lending

Banks core business is to accept deposits and provide credit. In September 2008, the banks' deposits from the public amounted to SEK 2,138 billions. The bulk of these deposits –43 per cent - come from Swedish households. Swedish companies account for 26 per cent of the deposits and foreign public for 17 per cent.

Previously, only banks were allowed to receive deposits from the public, but since first of July 2004 credit market institutions are also allowed to receive deposits. Also so called deposit companies may, with some restrictions, receive deposits. The deposit guarantee scheme applies however only deposits in banks and credit market institutions.

Lending to the public in Sweden takes place mainly through banks and mortgage institutions. Banks provide loans with different types of security and also smaller loans without collateral. Banks also provide loans secured on homes and buildings. Unlike mortgage institutions, banks can above first mortgages also provide second mortgages. Lending to the public from banks reached SEK 3,000 billions in September 2008. Forty-one per cent of lending to the public goes to the Swedish business sector, while households and foreign borrowers account for 24 per cent and 29 per cent respectively.

Interest rates

The interest rates banks set for their deposits and credits are highly dependent on the interest rates prevailing on the money market. Other factors affecting interest rates include the borrower's creditworthiness, the risk in the undertaking, the competition among credit institutions, and the competition between different savings and loan forms. The banks' average deposit and lending rates have shown a clear

downward trend since the early 1990s, but both have begun to increase again from 2006 onwards. The interest margin – the difference between the average lending and deposit rates, – has continued to decline.

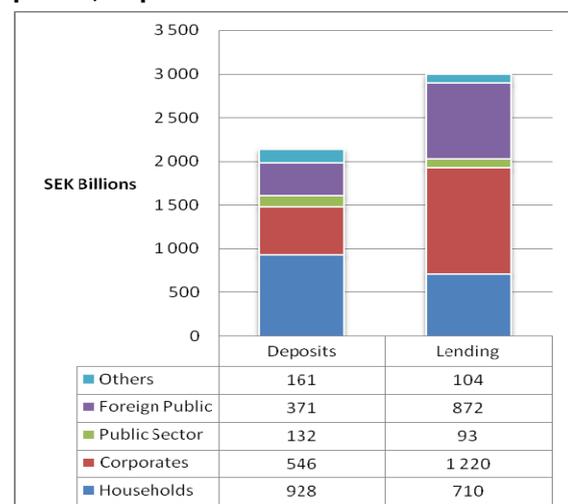
Mediation of payments

In addition to depositing and lending money another important function of a bank is to provide a means of payment. The Swedish payment system is represented by among other things the bank giro, commonly owned by the banks. The Swedish payment system is technically advanced, and has a high efficiency. This means that payments are transacted quickly, safely and at low cost. These systems for payments, but also securities transactions, belong to the financial infrastructure. The financial infrastructure is an important part of Sweden's total infrastructure.

Risk diversification

A third important task for the banks is to offer corporate and retail customers the opportunity to reduce, redistribute and spread risks, for example by offering trading in futures and options.

Bank deposits from and lending to the public, September 2008



Source: Sveriges Riksbank

The major banking groups

Swedish banking groups

From the mid-1990s, Sweden's leading banks have evolved into financial groups with extensive international activities. This development is partly due to areas such as life insurance, fund management and mortgage lending becoming an increasingly important part of the groups' business activities alongside traditional banking. It has also involved geographical expansion by the groups, especially within the Nordic and Baltic regions.

Nordea is the largest financial company in the Nordic region with over 30 000 employees. The group includes leading banks in Sweden, Finland, Denmark and Norway. Nearly 90 per cent of Nordea's lending comes from the four countries above. Nordea's Swedish operations include one of the largest finance companies and major players in fund management and mortgage credits. Nordea also owns the credit transfer payment system Plusgirot.

SEB is the name of the financial group formed around Skandinaviska Enskilda Banken. SEB has developed extensive international activities and has a large part of its business in Germany and the Baltics. In Sweden, SEB has a strong position in fund management and life insurance, as well as in the mortgage and finance company sectors. SEB is also a strong player on the stock market and in currency trading as well as in international payments.

Svenska Handelsbanken (SHB) has more than 460 branch offices in Sweden. From the 1990s the bank has also expanded in the Nordic region, both through acquisitions and by opening branch offices. The wholly owned mortgage institution Stadshypotek, belongs to the largest players on the Swedish mortgage credit market. Handelsbanken also has exten-

sive operations in the fund management, finance company and life insurance sectors.

Swedbank has an extensive network of over 450 bank branch offices in Sweden. In addition, Swedbank have a close cooperation with the independent savings banks and partly owned banks among the savings banks movement. Swedbank also has a strong position in the Baltic region through its subsidiary bank Hansabank. The group includes Swedbank Robur, Sweden's largest fund management company, and Swedbank Hypotek, which is one of the largest mortgage finance institutions.

Other Nordic financial groups

Two other Nordic financial groups with a strong position in Sweden are Danske Bank and Skandia. Danske Bank is Denmark's largest bank and has banking operations in all the Nordic countries. Danske Bank is after Nordea the largest financial group in the Nordic region. Skandia is the market leader in life insurance but also has a strong position in mutual fund investments. Skandia and SkandiaBanken are owned by the South African insurance company Old Mutual.

The "big four" banking groups, 2007

	Employees		Operating profit	Total Balance
	Total	Of which Sweden	SEK Billions	SEK Billions
Nordea ¹	31 867	8 072	34,8	3 679
SEB	21 523	8 949	17,0	2 344
Handelsbanken	10 209	7 543	14,7	1 859
Swedbank	21 955	9 450	15,6	1 607

¹ The figures for Nordea relate to the entire Nordea Group, where also, the bank's activities in the other Nordic countries are included.

Banks in Sweden

Universal banks

Banks represented on the major part of the financial market and offer all kind of financial services are categorised as universal banks. Among the Swedish universal banks, we find the “big four” banks – Nordea, Swedbank, Svenska Handelsbanken and SEB. Together they have a strong position on the Swedish market although the market shares vary in different niche markets. Their market share on the deposit market is 77 per cent, but on most other markets it is normally lower. The big four banks share many similarities, but they also differ in many ways. For example, there is a big difference in terms of client-type, pricing of services and distribution channel. It is therefore incorrect to refer to these banks as a homogeneous group – in fact, they compete not only with all other banks on the market but also with each other.

On the Swedish market, Svenska Handelsbanken and Swedbank have the most branch offices, 461 and 451 respectively. Many of the banks also offer their services in cooperation with other players, such as supermarkets and petrol stations. Most of the services offered by banks’ branch offices are also offered through their internet channels. Branch offices have therefore to a large extent shifted focus to providing advisory services and selling the banks’ products and services.

Other banks

The past ten years, internet- and other banks and the foreign bank branches have gained market shares in Sweden. Banks, such as SkandiaBanken, Länsförsäkringar Bank and Ikano Banken established telephone- and internet banks in the mid 1990s and ICA Banken in early 2000s. Although they have gradually expanded their range of services,

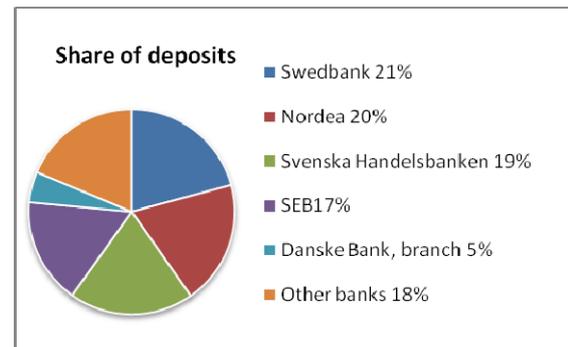
they are still mainly focused on the retail banking. Several of the newest banks started as securities firms and are primarily focused on trading and asset management, such as the banks Avanza, EFG, HQ and Nordnet.

The presence of foreign banks in Sweden has strengthened, mainly due to the expansion of Danske Bank, with some sixty branch offices. In certain segments, such as investment banking, foreign banks have large market shares.

Savings banks

The independent savings banks operate on local or regional markets. The savings banks have a market share of 7 per cent in Sweden, but an individual savings bank’s local market share can be much higher. In the end of 2007, the savings banks had 217 branch offices, representing more than 10 per cent of the 1,950 branch offices in Sweden.

Deposits from the public in Sweden, September 2008



Source: Statistics Sweden (SCB)

Mortgage credit institutions

Mortgage loans

In Sweden specialist credit market companies, mortgage credit institutions, usually provide mortgage loans. Total volume of outstanding loans from these institutions amounted to almost SEK 1,600 billions at the end of 2007. Lending by mortgage institutions to Swedish households exceed the volume of bank lending to households. The mortgage credit institutions provide credit primarily for residential property, but also for commercial and office buildings. Loans secured on one-family homes and tenant owned apartments represents 73 per cent of the mortgage institutions total lending.

Mortgage loans are secured by collateral, normally as a mortgage on the property. The lending consists of a first mortgage, which involves pledging the property for up to 70-80 percent of its value. Additional credit is provided as a second mortgage by the bank that owns the mortgage institution or by another bank with which the institution co-operates. Mortgage institutions offer a wide range of credit facilities at variable or fixed interest rates

Mortgage credit institutions

Swedbank and Handelsbanken respectively own the two largest mortgage credit institutions, Swedbank Hypotek and Stadshypotek. Nordea are also an important player on the market through its mortgage institution. SEB merged its mortgage institution with the bank SEB in 2007 and now sell mortgages directly through the bank. SBAB, is a state-owned company which originally only financed mortgages provided or guaranteed by the state, but which since the early 1990s compete fully with the other institutions. Länsförsäkringar Hypotek also offers mortgages. Banks such as Danske Bank, SkandiaBanken and DnBNOR also sell mortgage loans. The smaller mortgage in-

stitutions are important players on the market as they can have relatively large market shares on new mortgage lending.

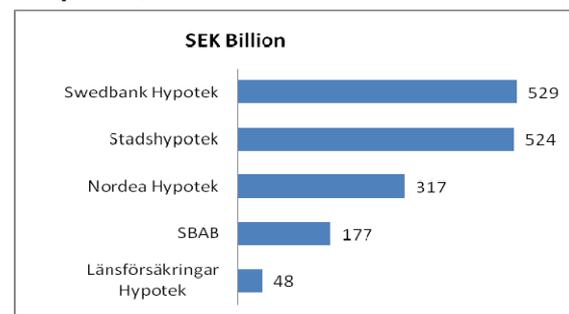
Other companies

In the last few years there have turned up financial institutions that offer mortgage products, which are different from those traditionally offered by mortgage institutions. One example are companies that provide mortgage loans to borrowers who, for various reasons do not qualify for loans in mortgage institutions. Another example is companies specialised in offering retired persons, with low mortgages on their houses, to release capital from their homes with amortization- and interest-free credits with the home as security. The credit and interests are repaid from the value of the home when it is sold, or if the borrower dies. Similar products are also offered by banks.

Forms of funding

The credits provided by mortgage credit institutions are mainly financed by the issue of bonds and commercial papers. The bank-owned institutions also finance their lending by raising loans from their parent banks. From 2006 mortgage institutions started to issue covered bonds and from spring 2008 all mortgage bonds in the Swedish market are covered bonds.

Swedish mortgage institutions: Lending to the public, December 2007



Source: Swedish Bankers' Association

Other credit market companies

Among the credit market companies the mortgage credit institutions comprise the largest group. Finance companies as well as corporate and municipal financing institutions are normally referred to as “other credit market companies.”

Finance companies

The finance companies mainly direct their business towards corporate customers (instalment finance, leasing, factoring etc.), but also to the retail market (credit and debit cards, hire purchase finance etc.). The use of instalment finance enables companies to spread the cost of a major investment. Leasing is a means whereby a company can invest without having to tie up capital. Factoring allows customer invoices to be converted into liquid funds.

Total assets of the ten largest companies in the “other credit market companies”

SEK million, Dec. 2007	
Svensk Exportkredit	289
Kommuninvest i Sverige	105
Handelsbanken Finans	56
Landshypotek	46
Nordea Finans Sverige	40
Swedbank Jordbrukskredit	37
Swedbank Finans	30
Volvo Finans	25
SEB Kort	9
Wasa Kredit	9
Total ten largest	646
Total “other credit market companies”	739

Source: Sveriges Riksbank

There are about 50 finance companies in Sweden, with aggregate credit and leasing outstanding of SEK 242 billions at the end of

2007. Although the largest finance companies are owned by banks, the majority are owned by non-financial enterprises that wish to offer financing facilities to their customers. The main source of financing for the finance companies is loans from other credit institutions, mainly banks. Some of the larger finance companies also issue their own certificates on the securities market. From 1st of July 2004 it is legally possible for the finance companies to give deposits.

Finance companies grew fast in the 1980s, partly as a result of the tightly regulated nature of the bank market. At the end of the 1980s, Sweden had almost 300 finance companies, but in connection with the turbulence on the financial markets during the first half of the 1990s, this number fell sharply.

Corporate and local government financing companies

Corporate and municipal financing companies focus on certain sectors of the industry or on lending to the local government sector. They are financed by issuing bonds and certificates.

The largest of these companies is Svensk Exportkredit (SEK), owned by the Swedish state. SEK is specialised in providing credit to Swedish export companies. Kommuninvest is owned by several municipalities and grants credit to its members. The third largest company in this group is Landshypotek, which provides loans secured on first mortgages to the agricultural and forest industry.

Household Savings

Household financial assets

The financial assets of Swedish households have increased by 100 per cent since 1995 and reached in June 2008 SEK 2,700 billions. The increase has occurred above all in insurance and mutual fund savings and in recent years in bank savings. Total household financial assets have been virtually unchanged between 2005 and June 2008. An important explanation for this is the decline on the stock market that has taken place from 2007.

Bank deposits

Bank deposits have been comparably stable until year 2000, but have since then risen. Increased interest rates and stock market turbulence from 2007 have led to bank deposits increasing. Bank deposits now constitute the largest share of total household financial assets. In relation to total household financial assets, bank deposits have declined for several years, but from 2007 the share have increased and amount to 34 per cent in June 2008. During the 1980s the share was over 40 per cent.

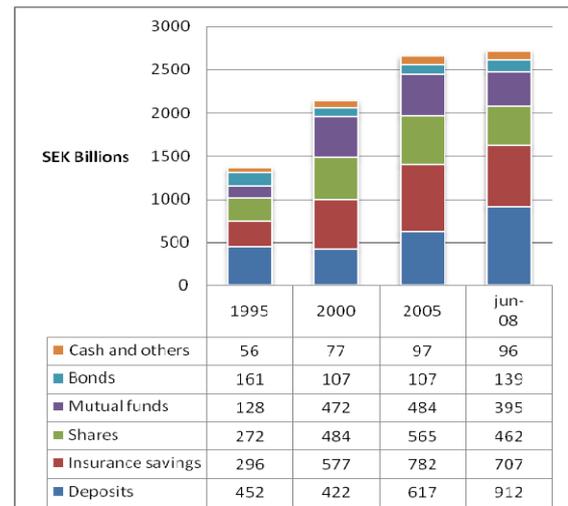
Fund saving

An important factor behind the rapid growth of fund saving is the stock market boom that was particularly strong during the second half of the 1990s, but also during the last years until 2007. Already in the early 1980s, many Swedes began to invest parts of their savings in mutual funds, partly because of the tax breaks available on certain types of such savings. Today 77 per cent of the Swedish population have some of their private savings invested in mutual funds (excluding the Premium Pension). The new pension system has resulted in that almost all adult Swedes have parts of their pension funds in mutual funds since a percentage of an individual's pension premiums are invested in mutual funds.

Insurance saving

Insurance and pension savings have also increased since the early 1990s. This is partly explained by the increase in value of the assets in which insurance companies invest, but also by net savings. One of the most common form of insurance savings is traditional life insurance. Another is unit-linked life insurance, which is a form of insurance whereby investments are placed in mutual funds of the investor's choice. Another form of pension saving, but without the insurance factor, is IPS (Individual Pension Saving), whereby the investor can invest in equities, mutual funds, bonds or bank accounts.

Household financial assets



Source: The Swedish Financial Supervisory Authority, (Finansinspektionen)

Life insurance companies

All of Sweden's major commercial banks have their own life insurance companies. The largest bank-owned insurance company is SEB Trygg Liv, which together with Skandia, has the largest market share for life insurance and unit-linked life insurance. Other leading companies are AMF Pension, Handelsbanken Liv, Länsförsäkringar, Folksam, Swedbank Försäkring, Nordea Liv and SPP.

Household loans

Household lenders

Mortgage institutions are the largest provider of loans to the Swedish households; 60 per cent in September 2008. Mortgage institutions lending is secured on homes and buildings, for example one-family homes, tenant-owned apartments and apartment buildings.

Banks are also a major provider of household loans and accounted for 34 per cent of total household loans in September 2008. A significant part of the bank lending is secured on homes and buildings. Other household loans from banks are secured in for example bonds and guarantees. It is also common for banks to give blank credits, unsecured loans, to households.

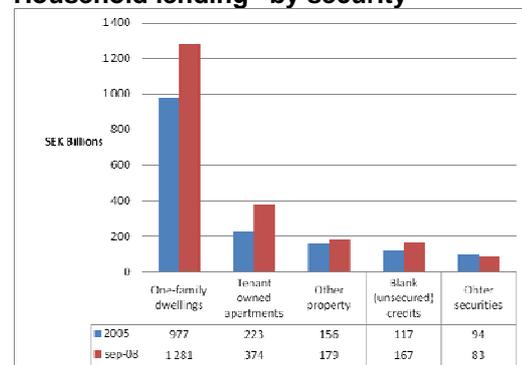
Finance companies and other credit market institutions accounts for 5 per cent of loans to households. Finance companies typically finance cars, boats, appliances, etc and the object of the loan is normally the security. However, more than 45 per cent of the finance companies' lending is unsecured lending. Among other credit institutions you find companies which are specialised in lending to farming and forestry.

Household mortgages

Households borrow above all to finance housing, which is also the security (see figure). In September 2008 one family homes and tenant-owned apartments were used as security for 79 per cent of the household loans. Normally mortgage institutions only offers first mortgage, i.e. a loan pledged up to around 80 per cent of the market value of the property. The second mortgage, i.e. a

loan pledged above the first mortgage up to around 90-100 per cent of the market value, is normally only offered by banks. Unlike mortgage institutions, banks also offer second mortgages for homes and buildings. In September 2008 the households' mortgages amounted to SEK 1,655 billions.

Household lending¹ by security



Källa: SCB

¹ Excluding non-profit institutions serving households, e.g. unions, religious communities and other non-profit organisations.

Other securities and blank credits

The households also have loans secured in property which are not homes, e.g. farming- and forest properties. These loans make up 9 per cent of the households' total loans. Loans without security, blank credits, constitute 8 per cent of the households' total loans. Blank credits are an important product for finance companies, but it is the banks which are the biggest lenders of blank credits to households.

Other securities make up 4 per cent of the households' loans. Other securities consist of among others securities (e.g. bonds) but also of different kinds of guarantees. Guarantor of a loan could be a private person, the state or the municipality.

Mutual fund companies

Fund saving

Savings in mutual funds increased steadily until year 2000 when over 20 per cent of the Swedes' financial assets consisted of mutual funds. Since then the share of mutual funds in the households' financial assets have diminished and amounted to 15 per cent in June 2008. Around 77 per cent of all Swedes have private savings in mutual funds.

In the 1980s fund saving was stimulated both by the strong performance of the stock market and favourable tax rules. This attracted many Swedes, which in turn generated widespread knowledge of mutual funds.

The total assets of Swedish mutual funds rose from SEK 120 billions in 1990 to nearly SEK 900 billions in early year 2000. After that the total assets of mutual funds sank for a number of years due to the fall in the stock market. Although the stock market unrest in 2007 and 2008 have resulted in diminishing values of the mutual funds, there has been a long term rise in the mutual fund values and in June 2008 the mutual fund assets amounted to SEK 1,364 billions.

Since the turbulence of the stock markets in the beginning of 2000 the interest in bond and treasury bill based funds has increased, although their share of total assets of mutual funds has diminished slightly the last years. In the end of 2007 some 57 percent of the mutual fund assets were equity funds, 22 percent were interest funds, 16 percent mixed funds, and 5 percent hedge funds.

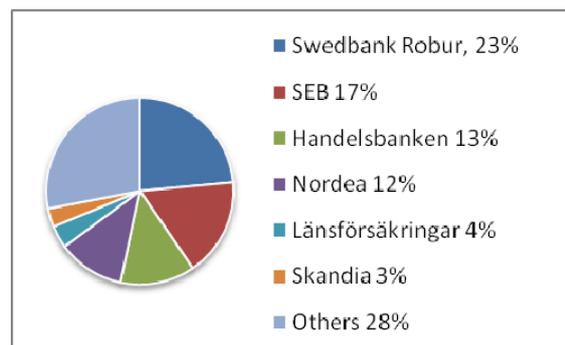
Fund managers

The number and variety of mutual funds has increased in pace with the growing interest of

investors. In the Swedish market there are more than 80 fund management companies, which together with foreign fund management companies offer investments in around 3,300 funds. For a long time, the big four banks' fund companies dominated the market, but in recent years other fund companies on the market have been expanding. By way of illustration, in 2005 the big four banks managed about 70 per cent of the total assets under management, while their share of new fund investments was around 53 per cent.

The largest players on the Swedish fund market are Swedbank Robur, SEB Fonder, Handelsbanken Fonder and Nordea Fonder. These fund companies all have a wide range of funds focusing on different geographical regions, sectors of industry or type of instruments like equities or bonds. It has also become more common for fund managers to extend their own portfolio of funds with those from other fund managers, particularly large international ones.

Mutual fund companies in Sweden. Share of total assets managed by Swedish mutual fund companies, December 2007



Source: The "Fond & Bank" newsletter

Online banking

Internet banks in Sweden

Swedish banks are among the most advanced in internet banking services. Almost all of the Swedish banks offer online status on accounts and other assets, online payments, and the possibility to buy and sell units in funds and shares. Corporate customers have been able to bank via the internet for many years.

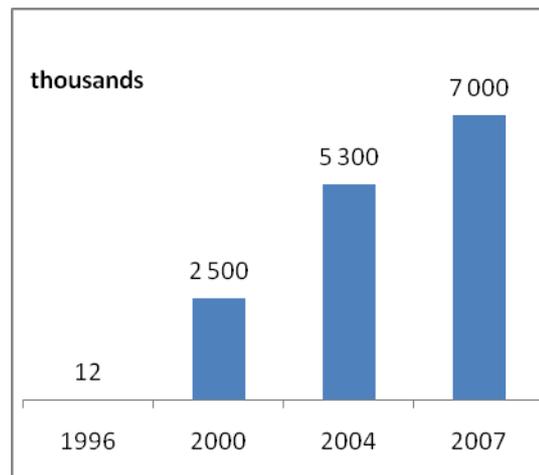
By comparison with banks in most other countries, Swedish banks have a high proportion of internet customers. In Europe Sweden has one of the highest proportions of the population using bank services through the internet. The share of Swedes paying their bill through internet has increased from 9 per cent in 1999 to 63 per cent in 2008. One key factor behind the success of online banking is that since the middle of the 1990s, Swedish banks have invested heavily in developing efficient, customer-friendly online banking services. Another important reason is the large proportion – nearly than 85 per cent – of Swedish homes with access to the internet.

Internet banking customers

The first online banking services in Sweden were launched in 1996. The range of services was limited in the first few years. As more services have been added and more computers installed in Swedish homes, the number of online banking customers has soared. By the end of 2007, Sweden's banks had 7 million internet customers out of a total population of 9 million – although it must be remembered

that some of these customers use more than one bank.

No. of private internet customers of Swedish banks at the end of each year



Source: Swedish Bankers' Association

The growing use of the internet for banking services provides obvious advantages, not only for the banks' customers but also for the banks themselves. The internet gives the customers a better overview of their banking business and enables them to handle their everyday financial transactions without having to visit their local branch. Customers who start to bank online are also proving to be more active as they engage in more banking transactions. As for the banks, the internet enables them to make the distribution and production of their banking services more efficient. Eventually, the growing use of online banking will allow banks to replace their conventional branch offices with ones concentrating on advisory services and sales.

Payment services

Means of payment

Besides minor cash payments, virtually all payments in Sweden are transmitted through banks or credit card companies. The most common means of payment are the various charge cards and electronic giro systems. Most payments are linked to bank transaction accounts, which register salary deposits, ATM withdrawals, credit and charge card purchases and automatic transfers.

Electronic payments

Over the past few decades, the use of paper-based payments such as giro forms, cheques and cash payments has rapidly been replaced by electronic payments of various types. As an example, the use of different kinds of cards has increased from 100 million transactions in the middle of the 1990s to almost 1,340 million transactions in 2007. During the same period, the use of cheques has in practice ceased.

While the share of electronic giro payments, mainly online, has increased the share of paper-based giro transactions has decreased. The share of Swedes older than 15 years, who pay their bills through an internet bank, has increased from 9 per cent in 1999 to 63 per cent in 2008. In the younger age groups up to 90 per cent pay their bills through internet. During the same period the use of paper based payments, such as giro forms, has diminished from almost 79 per cent in 1999 to 32 per cent in 2008. In an international comparison of the share of electronic payments to the total of non-cash payments, Sweden has a high share together with the other Nordic countries.

Giro systems

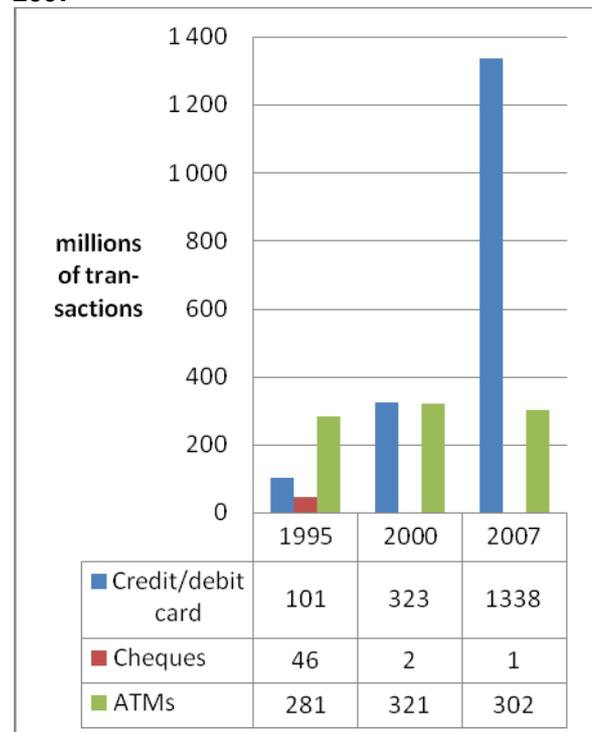
There are two different giro systems in Sweden. The Bank giro is owned jointly by the

banks, while Nordea owns the Plus giro (since 2001). Both these competing systems are technically advanced and provide quick, secure payment facilities. The giro systems can handle a number of different transactions, like giro payments by paper forms or by internet, bank transfers and bank deposits.

The ATM network

The Swedish ATM network is also highly developed, with about 2,800 ATMs nationwide, from which more than 300 million withdrawals are made each year. The system is designed rationally in that any bank's ATMs can be used by the customers of more or less any other bank.

Use of means of payment 1995, 2000 and 2007



Source: Sveriges Riksbank

Supervision of the Swedish banks

Supervision of the Swedish banks

The main functions of the financial system are to accept deposits and provide credit, mediate payments and to diversify risks. It is of great importance that the function and reputation of the system is maintained and therefore the society has found it necessary to create laws which regulate the institutions that constitute the financial system. Among these institutions the banks play an important role and there are a number of laws and regulations that regulate their activities. Finansinspektionen (the Swedish Financial Supervisory Authority) and The Riksbank (the Swedish central bank) have the main responsibility monitoring compliance with these laws and regulations, and to maintain financial stability. Finansinspektionen has a direct responsibility to supervise the individual institutions on the financial market. The Riksbank has an overall responsibility to promote a stable function of the financial system. The task of promoting stability in the financial system is shared between the two authorities.

Finansinspektionen

Finansinspektionen is a public authority under the jurisdiction of the Finance Ministry. Finansinspektionen is responsible for supervising the institutions on the financial market and the financial marketplaces. Finansinspektionen has also an overall objective to contribute to the stability and efficiency of the financial system, and to promote consumer protection.

The laws regulating banks and other financial institutions are passed by the Swedish parliament. The laws are in some cases in the form of framework legislation and within this framework Finansinspektionen issues detailed regulations for financial activity. Finansinspektionen also issues general guidelines which unlike laws are optional, but ought to be followed by financial institutions to be considered carrying on sound activities. Finansinspek-

tionen is the authority which issues permits and licenses for different activities on the financial markets, e.g. bank license.

To monitor compliance with laws, regulations and general guidelines Finansinspektionen supervises the financial institutions. The supervision is performed in different ways, e.g. on-site inspections of financial institutions or by requiring different information which Finansinspektionen wants to control and analyse. Finansinspektionen may also appoint their own accountants in institutions supervised by them. The authority also carries out regular analysis of the institutions risks and financial performances.

The Riksbank

The Riksbank is an authority with an independent status under the jurisdiction of the Swedish parliament. The main task of the Riksbank is to maintain price stability. The task of price stability the Riksbank interpret as keeping inflation low and stable.

A second important task for the Riksbank is to promote stability in the financial system and particularly in promoting a safe and efficient payment system, and to be ready to handle a possible financial crisis. The payment system includes among other things the whole infrastructure for payments and securities transactions. The Riksbank promotes the financial stability by regularly monitor and analyse risks and threats to the stability of the financial system. In this purpose the Riksbank besides the payment system also analyses the four major banking groups, the banks borrowers and the macroeconomic development. The findings of the Riksbank are communicated e.g. through regular publications, articles and speeches.

Banking Laws

Banking and Financing Business Act

The act on Banking and Financing Business is the fundamental act regarding the business of banks and financing companies. The act contains rules concerning among other things requirements to get a license to conduct banking and financing business, what kind of financial operations these companies may perform, credit assessment, cross-border operations, what kind of property credit institutions may hold and rules on supervision and interventions by authorities. The Act is applicable to both banks and financing companies.

The Capital Adequacy Act

The Act on Capital Adequacy and Large Exposures has rules that aim to secure that bank and credit market companies have sufficient capital to meet the risks in the business. There are capital requirements on credit risks, market risks and operational risk. The Act states how to calculate capital requirements depending on type of assets, commitments and investments of the financial institutions. The Act also contains limits of the level of exposures that a financial institution may have with a customer or a group of customers.

Consumer Credit Act

The Act state what the credit institutions shall observe when granting loans to consumers. The Act regulates the information about interest rate that should be given and on how a credit agreement should be made. It also states the conditions for changing the interest rate to the disadvantage of the customer and for repaying a loan prematurely. The act also covers the responsibilities at loss of a credit card.

The Covered Bond Act

Banks and credit market institutions can issue covered bonds according to a certain act, provided the bonds have preferential rights on the

assets of the issuing institution and that these assets meet certain criteria.

The Act on Payment Transfers

In this act it is stated what kind of information should be given to the customer in connection with a payment transfer within the EEA, for example the fees and the time it will take to perform the payment transfer act.

The Act on Deposit Guarantee Scheme

The act guarantees every customer an amount up to SEK 500 000 for deposits in banks. The guarantee covers losses in connection with a bankruptcy of a bank.

The Act on Money Laundering

The Act applies to banks and credit market institutions, but also to a number of other companies. It is forbidden to take part in money laundering and the institutions are obliged to report to the police transactions suspected to be money laundering or financing of terrorism.

Other acts

Most of the acts mentioned are mainly based on EC-directives. The acts are completed with more detailed provisions in the regulations and general guidelines issued by Finansinspektionen, the Swedish Supervisory Authority.

Most of the Swedish banks are universal banks, which mean that – besides loans and deposits – securities trading, asset management and corporate finance constitute significant parts of their operations. In these different areas, there is further legislation. An important act among these is the act on the market for financial instruments. The act regulates how investment firms shall organise and run its business. The Markets in Financial Instruments Directive (MiFID) is implemented in Sweden by this act.