# Contents

The Swedish financial market ................................................................. 4  
Banks in Sweden .................................................................................. 5  
Banks’ functions .................................................................................. 6  
Banking structure ................................................................................ 7  
The major banking groups ................................................................... 8  
Other credit market companies ............................................................ 9  
Household loans .................................................................................. 10  
Household savings .............................................................................. 11  
Mutual fund companies ....................................................................... 12  
Payment services ................................................................................ 13  
Supervision of Swedish banks ............................................................... 14  
Banking laws ....................................................................................... 15  
Financial crisis management ................................................................. 16  
Covered bonds .................................................................................... 17  
Banks in society ................................................................................... 18
The economic role of the financial sector

The three main functions of the financial system are to convert savings into funding, to create the conditions for efficient processing of payments in the economy and to manage risks. An efficient and reliable financial system is of fundamental importance for the Swedish economy to both function and growth. This will ensure Sweden’s economic prosperity. These systems consist of banks and other credit institutions, insurance companies, securities companies and other companies in the financial sector. The financial sector channels savings from households and companies into investment and consumption, such as the needs of households to even out consumption over the various stages of life, as well as the need for companies to finance investment.

In 2019, the financial industry accounted for 3.8 percent of the total output in Sweden, expressed as its GDP. Over 95,000 individuals, representing about 2 percent of the total workforce, work in the financial industry. This can be compared with the manufacturing industry, which employs 11 percent of the workforce, and the information and communication sector, which employs 4 percent. Banks are also important taxpayers: the seven largest banks in Sweden accounted for 10.5 percent of the total corporate tax in 2019.

Types of financial enterprises

Banks (commercial banks, foreign bank branches and savings banks) constitute the largest group of companies in the financial sector in Sweden as regards total assets and liabilities. The banks’ total balance sheet items were SEK 9,700 billion in 2019. Credit market companies come next after the banks in size, measured in total balance sheet items. Housing credit institutions are the largest group of companies among the credit market institutions.

Securities companies conduct trade with securities in their own name on behalf of customers and on their own behalf, as well as commission trading. In this capacity they play an important role in creating an efficient market for securities.

Beyond the above-mentioned companies there is a group of companies that fulfil an important role in the financial market as investors: insurance companies, mutual funds companies and pension funds. In addition there are also private equity companies and FinTech. Private equity companies mediate risk capital by investing and taking part-ownership in companies. FinTech are companies that offer financial services using the latest digital technology.

Financial companies, December 2019, SEK billion

<table>
<thead>
<tr>
<th>Total balance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>7,309</td>
</tr>
<tr>
<td>Foreign bank branches</td>
<td>2,155</td>
</tr>
<tr>
<td>Savings banks</td>
<td>236</td>
</tr>
<tr>
<td>Housing credit institutions</td>
<td>3,896</td>
</tr>
<tr>
<td>Other credit market companies</td>
<td>1,119</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,714</strong></td>
</tr>
</tbody>
</table>

Source: SCB (Statistics Sweden)

Changes in the market

The financial sector is experiencing a significant change in its structure and many new financial companies, both Swedish and foreign, have established themselves on the Swedish market.

The transition to a sustainable society means changes in several areas, like the transition to a sustainable economy. Many banks are already part of this transition. It means that these banks offer sustainable products and that the banks fund themselves in a sustainable way. Banks must also manage risks with assets that are not sustainable.

New technology has also paved the way for the establishment of new banks and companies offering financial services (FinTech), and in turn increased competition within banking. These new channels of distribution of banking services have enabled the development of new services whilst existing services have changed. At the same time, this has meant that branch offices have become less important for bank customers’ daily services. Today normal bank services are to a large extent performed using computers, mobile phones and tablets. Other ways of performing bank services are, for example, real time payments between customers (Swish) and e-invoices, etc.

Mutual funds and insurance savings have for many years become some of the most important forms of household savings. Around 75 percent of the population have some of their savings in mutual funds. Bank savings are, however, the largest household savings type.
Banks in Sweden

The banking sector
In December 2019, Sweden had a total of 125 banks. They can be divided into four main categories: commercial banks, foreign banks, savings banks and co-operative banks.

The number of commercial banks and foreign bank branches in Sweden has increased from 62 in 2009 to 78 in 2019. The increase has occurred above all among Swedish commercial banks, when several credit market institutions have transformed into commercial banks, but also when European banks have opened bank branches in Sweden.

Commercial banks
Commercial banks are divided into three groups. The largest are the three big Swedish banks: Swedbank, Handelsbanken and SEB. These banks are important actors on most segments of the financial market.

The second group consists of savings banks that have been converted into joint stock companies, often with Swedbank as a shareholder.

The third category constitutes other Swedish commercial banks with a diverse business focus and ownership structure. Several of the other commercial banks were formed from the mid-1990s onwards. At first these banks were mainly focused on the retail banking market and distributed their products and services through telephone and online, but also through, for example, retail stores.

There are also examples of new banks with a background in securities trading and, in the last few years, several new banks with a background in the financing business.

The newly established banks have, in the course of time, increased the selection of financial products and many of these are today regarded as full-service banks for private customers.

Foreign banks
The first foreign bank was established in 1986, when foreign banks were first allowed to open subsidiaries in Sweden. In the space of a few years, in connection with the financial crisis in the beginning of the 1990s, the number of foreign banks declined. Foreign banks were also permitted to open branches in 1990 and, since then, they have increased.

In December 2019, the foreign banks amounted to 37. After Nordea moved its headquarters to Finland in October 2018, the bank became by far the largest foreign bank in Sweden. Danske Bank is the second largest foreign bank in Sweden. Nordea and Danske Bank have services and products for all types of customers. Most other foreign banks focus on the corporate banking and securities market.

Savings banks
There are numerous independent savings banks in Sweden and they are 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 declined for several years due to small savings banks having merged.

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

Number of banks in Sweden

<table>
<thead>
<tr>
<th>Type of bank</th>
<th>2019 (Dec)</th>
<th>2009 (Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>41</td>
<td>32</td>
</tr>
<tr>
<td>– of which are big banks</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>– of which are former</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>savings banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– of which are other</td>
<td>24</td>
<td>15</td>
</tr>
<tr>
<td>Swedish commercial banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign banks</td>
<td>37</td>
<td>30</td>
</tr>
<tr>
<td>– of which are subsidiaries</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>– of which are branches</td>
<td>37</td>
<td>27</td>
</tr>
<tr>
<td>Savings banks</td>
<td>45</td>
<td>53</td>
</tr>
<tr>
<td>Co-operative banks</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>117</td>
</tr>
</tbody>
</table>

Source: Finansinspektionen (The Swedish Financial Supervisory Authority)
Banks’ functions

Convert savings into funding
Banks’ core business is to accept deposits from the public and provide credit. In this way banks make it possible to convert savings into funding.

In December 2019, the banks’ deposits from the public, households and non-financial companies amounted to SEK 4,666 billion. The bulk of these deposits – 44 percent – come from Swedish households. Swedish companies account for 25 percent of the deposits and the foreign public for 19 percent.

From 2008 all deposits in banks and credit market institutions are covered by the deposit insurance scheme. In addition, the so-called deposit companies may, with some restrictions, receive deposits. However, deposits in deposit companies are not covered by the deposit insurance scheme.

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, like mortgage institutions, also provide loans secured on homes and other buildings and property. Lending to the public from banks amounted to SEK 4,581 billion in December 2019. Swedish businesses account for 31 percent of total lending to the public, while Swedish households account for 29 percent. In addition foreign borrowers account for 30 percent of bank lending to the public.

The interest rates that 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 banks’ financing costs, 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.

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, jointly owned by the banks. The Swedish payment system is technically advanced and has high efficiency. These systems for payments and transactions belong to the financial infrastructure. The financial infrastructure is an important part of Sweden’s total infrastructure.

In the joint initiative called P27 Swedish, Danish and Finnish banks are developing a pan-Nordic payment infrastructure for real time domestic and cross-border payments within the Nordics. The P27 payment infrastructure will be integrated with the eurozone infrastructure for payments.

Risk diversification
A third task for the banks is to offer individuals and corporate customers the opportunity to reduce, redistribute and spread risks. One example is mutual funds, where portfolios of securities are constructed and where the risks in single securities are spread within the mutual fund.

Bank deposits from and lending to the public, December 2019, SEK billion

<table>
<thead>
<tr>
<th></th>
<th>Deposits</th>
<th>Lending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>401</td>
<td>196</td>
</tr>
<tr>
<td>Foreign Public</td>
<td>893</td>
<td>1,478</td>
</tr>
<tr>
<td>Public Sector</td>
<td>172</td>
<td>136</td>
</tr>
<tr>
<td>Corporate</td>
<td>1,171</td>
<td>1,430</td>
</tr>
<tr>
<td>Households</td>
<td>2,030</td>
<td>1,342</td>
</tr>
</tbody>
</table>

Source: Statistics Sweden
Banking structure

**Universal banks**
Banks that are represented in the major part of the financial market and that offer all kinds of financial services are categorised as universal banks. Among them we find the large Swedish banks – Swedbank, Svenska Handelsbanken and SEB, as well as Nordea (currently a Finnish bank). Together they have a strong position in the Swedish market but their market shares vary in different niche markets. The four banks’ market share of the deposit market amounts to 62 percent as of December 2019.

The big banks share many similarities, but they also differ in many ways. For example, there is a big difference in terms of client type and focus areas. 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.

In the Swedish market, Svenska Handelsbanken and Swedbank have the most branch offices, 383 and 168, respectively. Most of the bank services nowadays are performed by computers and through mobile phones. Consequently, branch offices have therefore shifted their focus to providing advisory services and information about the banks’ products and services.

**Other banks and foreign banks**
Since the end of the 1990s other commercial banks and foreign bank branches have gained market shares within households’ deposits in Sweden. Banks, such as SkandiaBanken, Länsförsäkringar Bank and Ikano Banken, established telephone and Internet banks in the mid-1990s and ICA Banken in the early 2000s. Although they have gradually expanded their range of services and many of them are nowadays considered as universal banks, they are still mainly focused on household retail banking.

Another category of relatively new banks are those with a background in securities. These banks are primarily focused on trading and asset management, such as the banks Avanza and Nordnet.

A different category of new banks are former credit market institutions, for example Volvofinans Bank and Marginalen Bank.

The presence of foreign banks in Sweden has been significant for many years, partly due to Danske Bank, with some 35 branch offices. From October 2018 Nordea Bank moved its head office from Sweden to Finland and thereby became the largest foreign bank in Sweden. In certain segments, such as investment banking, foreign banks have large market shares.

**Savings banks**
The independent savings banks and the limited company savings banks operate in the local or regional markets. The savings banks and the limited company savings banks have a market share of over 10 percent of households’ deposits in Sweden, but an individual savings bank’s local market share can be much higher. At the end of 2019, the savings banks had 134 branch offices, representing almost 10 percent of the 1,265 branch offices in Sweden.

---

**Deposits from Swedish households, share of the total, December 2019**

- **Swedbank** 19%
- **Handelsbanken** 18%
- **Nordea filial** 13%
- **SEB** 12%
- **Other commercial banks** 26%
- **Savings banks** 7%
- **Foreign bank branches (excl. Nordea filial)** 3%
- **Other institutions** 2%

*Source: SCB (Statistics Sweden)*
The major banking groups

Banking groups in Sweden

From the mid-1990s, Sweden’s leading banks have evolved into financial groups with extensive international activities. This development is due to areas such as mortgage lending, fund management and life insurance becoming an increasingly important part of the groups’ business activities alongside traditional banking and the fact that the groups have expanded internationally.

**Svenska Handelsbanken (SHB)** has more than 383 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 bank has a subsidiary in the United Kingdom and a branch in the Netherlands. The wholly owned mortgage institution Stadshypotek belongs to the largest players on the Swedish mortgage credit market. Handelsbanken also has extensive operations in the fund management and finance company sectors.

**SEB** is the name of the financial group formed around Skandinaviska Enskilda Banken. SEB has developed an extensive international business, for example, in the Baltic region and Germany. 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 international payments.

**Swedbank** has a network of around 168 bank branch offices in Sweden. In addition, Swedbank works in close co-operation with independent savings banks and partly-owned banks within the savings banks movement. Swedbank also has major activities in the Baltic region. The group includes Swedbank Robur, Sweden’s largest fund management company, and Swedbank Hypotek, which is one of the largest mortgage finance institutions.

**Nordea** has been a Finnish bank since October 2018, but with major operations in Sweden, partly through its Swedish bank branches. Nordea is the largest financial company in the Nordic region with around 30,000 employees. The group includes leading banks and bank branches, of which are among the largest in Sweden, Finland, Denmark and Norway. The bank’s Swedish operations, besides the bank branches, also include one of the largest finance companies and major players in fund management and mortgage credits.

Other Nordic financial groups

Other Nordic financial groups with a strong position in Sweden are Danske Bank, Länsförsäkringar, SBAB and Skandia.

**Danske Bank** is Denmark’s largest bank and has banking operations in all the Nordic countries.

**Länsförsäkringar** consists of 23 regional insurance companies in co-operation, and together they own Länsförsäkringar Bank.

**SBAB** is originally a mortgage institution but received a banking licence in 2010 and expanded its operations to deposit activity, among other things.

**Skandiabanken** is owned by Skandia, which has operations in life insurance, among other things.

Four large banking groups in Sweden

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>of which Sweden</td>
</tr>
<tr>
<td>Nordea¹</td>
<td>29,300</td>
<td>6,712</td>
</tr>
<tr>
<td>Handelsbanken</td>
<td>12,548</td>
<td>7,394</td>
</tr>
<tr>
<td>SEB</td>
<td>15,691</td>
<td>8,013</td>
</tr>
<tr>
<td>Swedbank</td>
<td>16,433</td>
<td>8,595</td>
</tr>
</tbody>
</table>

Source: Annual reports of the respective banks

¹ The figures for Nordea relate to the entire Nordea Group, where the bank’s activities in the other Nordic countries are also included.
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 (installment finance, leasing, factoring, etc.), but also to the retail market (credit and debit cards, hire purchase finance, etc.).

The use of installment finance enables companies to spread out the cost of a major investment. Leasing is a way in which a company can invest without having to tie up capital. Factoring allows customer invoices to be converted into liquid funds.

There are slightly more than 20 finance companies in Sweden, with aggregate credit and leasing outstanding of SEK 274 billion in December 2019. Even though 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 bonds and certificates on the securities market. As of 1 July 2004 it is legally possible for 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. The number of finance companies has continued to diminish in the last years. This is due to, among other things, that several such companies have chosen to operate as a Financial Institution instead of as a finance company on the Swedish market.

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 through the issuing of bonds and certificates.

The largest of these companies is Kommuninvest, which is owned by several municipalities and grants credit to its members. The second largest is Svensk Exportkredit (SEK), owned by the Swedish state, and specialises in providing credit to Swedish export companies.

---

### Finance companies lending and leasing, SEK billion

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (SEK billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasing</td>
<td>90</td>
</tr>
<tr>
<td>Hire purchase credits</td>
<td>46</td>
</tr>
<tr>
<td>Factoring credits</td>
<td>13</td>
</tr>
<tr>
<td>Others</td>
<td>126</td>
</tr>
</tbody>
</table>

Source: Statistics Sweden

---

December 2019
Household loans

Households borrow above all to finance housing. Swedish households’ loans amounted to SEK 4,190 billion in December 2019. Total household lending secured on housing amounted to SEK 3,445 billion in December 2019.

Around 64 percent of Swedish households own their dwelling. Of these households, 81 percent have a mortgage loan. In December 2019, single-family homes and tenant-owned apartments were used as a security for 82 percent of household loans. The comparably high share of households with mortgage loans is a sign of a mature mortgage market. Other countries with similar shares are Norway, Denmark and the Netherlands.

Households also have loans secured in property that are not homes, for example, farming and forest properties and multi-family houses. These loans make up 8 percent of households’ total loans.

Loans without security, blank credits, constitute 7 percent of households’ total loans.

Other securities make up 3 percent of households’ loans. Other securities consist of, among others, securities and different kinds of guarantees.

Household lenders

Mortgage institutions are the largest providers of loans to Swedish households: 66 percent in December 2019. Mortgage institutions’ lending is secured on homes and buildings, for example, single-family homes, tenant-owned apartments and apartment buildings.

Banks are also a major provider of household loans and accounted for 32 percent of total household loans in December 2019. A significant part of bank lending is secured on homes and buildings. Household loans from banks are also secured in, for example, bonds and guarantees. Banks also offer blank credits, unsecured loans, to households.

Finance companies and other credit market institutions account for 2 percent 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 50 percent of the finance companies’ lending to households is unsecured lending. Among other credit institutions, you find companies that specialise in lending to farming and forestry.

Amortisations

In October 2010, Finansinspektionen (the Swedish Financial Supervisory Authority) introduced new rules regarding mortgage lending, which means that new mortgage loans shall not exceed 85 percent of the market value of the property. In June 2016 the amortisation requirements on mortgage loans entered into force. Requirements from Finansinspektionen imply that new mortgages with a loan-to-value over 50 percent must amortise. Mortgages with a loan-to-value above 70 percent must amortise yearly an amount that corresponds to 2 percent of the mortgage loan. Mortgages with a loan-to-value between 50 and 70 percent should amortise 1 percent of the mortgage loan.

From March 2018 stricter amortisation requirements entered into force. The stricter amortisation requirements imply that new borrowers, with a housing loan, and whose housing debts exceed 4.5 times gross income, must amortise at least 1 percent additional to the fundamental amortisation requirements.

In April 2020 a grace period for amortisations on both new and existing housing loans was introduced due to the Covid-19 pandemic. The general grace period will last until August 2021.

Household loans by security, SEK billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Single family homes</th>
<th>Other properties</th>
<th>Other securities</th>
<th>Loans without security</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,000</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>2010</td>
<td>2,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>2015</td>
<td>3,000</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>2019</td>
<td>4,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>

Source: SCB (Statistics Sweden)
Household financial assets
The financial assets of Swedish households have increased by almost 165 percent since the year 2000 and amounted to SEK 5,855 billion in December 2019. The increase since the beginning of the 2000s has occurred above all in bank savings, but also in mutual funds. Parts of the household financial assets are tied to developments of different stock exchanges in the world: shares, mutual funds and to some extent insurance/pension savings. The value of these financial assets varies with the developments on the international stock markets.

Bank deposits
Bank deposits today constitute the largest share of total household financial assets. In relation to total household financial assets, the share of bank deposits diminished during the 1990s down to less than 20 percent. Household bank deposits have increased thereafter and amounted in December 2019 to 34 percent of household financial assets. In the beginning of the 1980s bank deposits made up around 50 percent of household financial assets.

Fund saving
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, around 80 percent of the Swedish adult population have some of their private savings invested in mutual funds (excluding the Premium Pension). The new pension system has resulted in almost all adult Swedes having parts of their pension funds in mutual funds, since a certain share of an individual’s pension premiums is invested in private and government mutual funds.

Investment savings account – ISK
Investment savings account - ISK (investeringssparkonto) was introduced in Sweden in 2012 as a new savings option with a standard taxation. The holder of an ISK can deposit money at the account and thereafter buy and sell financial instruments, for example stocks and mutual funds, without declaring the transactions to the tax authority. Neither interest rates nor dividends must be declared. Instead a yearly standard tax is levied on the ISK holdings. In 2018, 2.4 million account holders had different financial instruments in an ISK amounting to a total of SEK 820 billion.

Insurance saving
Insurance and pension savings’ share of the household financial assets increased from 15 percent in the early 1990s to 30 percent around 2000. The share has declined thereafter and in 2019 was around 19 percent.

One of the most common forms 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.

In 2016 tax subsidies on pension savings were abolished, which has led to that part of pensions savings being moved to other kinds of savings.

Life insurance companies
The largest bank-owned insurance company is SEB Trygg Liv, which together with Alecta, Skandia, AMF and Folksam, has the largest market share for life insurance and unit-linked life insurance. All of Sweden’s major commercial banks have their own life insurance companies.

Household financial assets, SEK billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Others</th>
<th>Bonds</th>
<th>Mutual funds</th>
<th>Shares</th>
<th>Insurance savings</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>100</td>
<td>107</td>
<td>493</td>
<td>502</td>
<td>576</td>
<td>424</td>
</tr>
<tr>
<td>2005</td>
<td>100</td>
<td>116</td>
<td>550</td>
<td>565</td>
<td>629</td>
<td>615</td>
</tr>
<tr>
<td>2010</td>
<td>113</td>
<td>135</td>
<td>659</td>
<td>605</td>
<td>932</td>
<td>1,081</td>
</tr>
<tr>
<td>2015</td>
<td>95</td>
<td>95</td>
<td>946</td>
<td>784</td>
<td>1,015</td>
<td>1,534</td>
</tr>
<tr>
<td>2019</td>
<td>95</td>
<td>94</td>
<td>1,488</td>
<td>1,060</td>
<td>1,103</td>
<td>2,014</td>
</tr>
</tbody>
</table>

Source: SCB (Statistics Sweden)
Mutual fund companies

Fund saving
Households’ savings in mutual funds increased steadily until 2000 when around 20 percent of Swedes’ financial assets consisted of mutual funds. The share of mutual funds in households’ financial assets has varied slightly since then and amounted in December 2019 to 25 percent. Households also invest indirectly in mutual funds through, for example, life insurances and endowment insurance.

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. Today almost all Swedes have savings in mutual funds through private savings and the premium pension system.

The total assets of Swedish mutual funds rose from SEK 120 billion in 1990 to nearly SEK 900 billion in early 2000. After that, the total assets of mutual funds have diminished in some years when stock markets have fallen. In the long run there has been a long-term rise in mutual fund values. In December 2019 mutual fund assets amounted to SEK 5,055 billion. Excluding the state premium pension, mutual fund assets amounted to SEK 3,597 billion.

In December 2019 some 61 percent of mutual fund assets were equity funds, 23 percent were mixed funds, 15 percent interest funds, and 1 percent hedge funds. The proportions vary over time depending on, among other things, falling stock markets, when interest rate funds tend to increase and equity funds to diminish, and the opposite when stock markets increase.

Fund managers
The number and variety of mutual funds has increased in pace with the growing interest of investors and at present there are a large amount of different mutual funds available for savers on the Swedish market. The big banks’ fund companies are important players on the Swedish mutual fund market. As the mutual funds market has grown a lot of new actors have entered the market, both Swedish and foreign.

Among the largest players on the Swedish fund market are Swedbank Robur, SEB Fonder, Nordea Fonder and Handelsbanken 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.

Sustainable mutual funds
Mutual fund savings are an opportunity to spread the risks of savings in different countries and regions, securities types and industries. Another factor, which has grown in importance for the mutual fund investors, is that the investment should support a sustainable development in, for example, environment and social conditions. The number of mutual funds which also focus on sustainability are growing constantly and, for example, among the 485 mutual funds in the Premium Pension system, 136 adhere to certain standards on sustainability and/or carbon dioxide.

Mutual fund assets in Sweden. Share of net assets split by type of mutual fund, December 2019

Source: Swedish Investment Fund Association
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 have rapidly been replaced by electronic payments of various types. According to a survey by the Riksbank (the Swedish central bank) about payments in Sweden, a large proportion of Swedes paid their bills electronically through an Internet bank or by direct debit (2018). At the same time, the use of paper-based payments, such as giro forms, by Swedes decreased to 13 percent (2018).

One of the different electronic payment means is e-invoice. With e-invoice, a bill is received electronically directly into the customer’s Internet bank including all the necessary information. All the customer needs to do is to approve payment. During 2018, the number of e-invoices to private customers amounted to 148 million.

The mobile phone-based transfer and payment system Swish started in 2013 and enables customers to send money by smart phone just by knowing the smart phone number of the recipient. The money is recorded in real time directly within the recipient’s bank account. Swish has in a short time become a real alternative to cash payments between individuals, and even for businesses and associations in situations where it was not previously possible to connect card payment terminals. During 2019 the number of transactions in Swish amounted to 529 million.

Giro payment system
The majority of all payments between individuals and most companies is managed through Bankgirot. Bankgirot is owned jointly by seven larger banks and handles retail payments on the Swedish market. The Bankgirot system can handle a number of different transactions, for example bank giro payments, account-to-account transfers, clearing of card payments and ATM withdrawals.

The ATM network
The Swedish ATM network is also highly developed, with approximately 2,672 ATMs nationwide. In 2018, ATM withdrawals amounted to 91 million and the average withdrawal was around SEK 1,200.

Future payment infrastructure
There are major changes under way at present in the payments area. Changes in customer behaviour are creating expectations of fast, secure and more efficient payment services. New legislation enables for new organisations and increases competition in the payment sector. The rapid development of technology and new international standards provide opportunities for new, modern and customer-friendly payment services. In the project P27 Swedish, Danish and Finnish banks have been investigating possibilities to create a new integrated Nordic payment infrastructure for national and cross border payments in the Nordics.

Number of card payments and ATM withdrawals per capita 1995–2018

![Graph showing number of card payments and ATM withdrawals per capita from 1995 to 2018.](source: Sveriges Riksbank)
Supervision of Swedish banks

Supervision of Swedish banks
It is of great importance that the function and reputation of the financial system is maintained and, therefore, society has found it necessary to create laws that 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. The responsibility of keeping the financial system stable is shared by several authorities: Finansinspektionen (the Swedish Financial Supervisory Authority), Riksbanken (the Swedish central bank), Riksgälden (the Swedish National Debt Office) and the Ministry of Finance. Finansinspektionen is responsible for supervision of financial institutions on both an institute level (micro) and on a system level (macro). Riksbanken has an overall responsibility to promote a stable function of the financial system. The task of the Debt Office in terms of financial stability is to handle banks in crisis and to be responsible for the deposit insurance scheme. The Ministry of Finance is responsible for drawing up laws and regulations that will apply in the financial system.

Finansinspektionen, Riksbanken and Riksgälden, together with the Ministry of Finance, form the forum called the Financial Stability Council. In the Financial Stability Council members discuss issues of financial stability and how financial imbalances could be counteracted. The Council also meets to discuss measures in the event of a financial crisis. The Financial Stability Council does not make any decisions. Instead, the government and the authorities make decisions independently within their respective areas of responsibility.

Finansinspektionen
Finansinspektionen is a public authority under the jurisdiction of the Finance Ministry. Finansinspektionen is responsible for supervising the institutions in the financial market and the financial marketplaces. Finansinspektionen also has an overall objective to contribute to the stability and efficiency of the financial system, and to promote consumer protection. Finansinspektionen has also been mandated by the Government to be responsible for the stabilisation of the credit market.

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 that, unlike laws, are optional, but should be followed by financial institutions in order for them to be considered as carrying out sound activities.

Finansinspektionen is the authority that issues permits and licences for different activities on the financial markets, for example, bank licences.

To monitor compliance with the laws, regulations and general guidelines, Finansinspektionen supervises financial institutions. The supervision is performed in different ways, for example, on-site inspections of financial institutions or by requiring different information that Finansinspektionen wants to control and analyse. The supervision also includes identifying, analysing and monitoring systemic risks, such as financial imbalances on the credit market.

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.

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 financial stability by regularly monitoring and analysing risks and threats to the stability of the financial system. For this purpose, the Riksbank, besides the payment system, also analyses the major banking groups, the banks borrowers and the macroeconomic development.

In a financial crisis the Riksbank can supply liquidity to the financial system. This could entail liquidity assistance to individual institutions, or general measures to improve liquidity like offering loans in Swedish krona at longer maturities than normal or loans in other currencies than Swedish krona.

Riksgälden, The National Debt Office
Historically Riksgälden is the authority which is responsible for the central government debt and raising loans. The assignment of the authority has increased step by step in the field of financial stability. In terms of financial stability, Riksgälden is responsible for handling banks in crisis and the deposit insurance scheme.
Banking laws

The Banking and Financing Business Act
The Banking and Financing Business Act is the fundamental act regarding the business of banks and financing companies. The act contains rules concerning, among other things, requirements to obtain a licence 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 Requirements Regulation
The EU Capital Requirements Regulation contains rules that aim to ensure 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 regulation states how to calculate capital requirements depending on the type of assets, commitments and investments of the financial institutions. The regulation also contains limits of the level of exposures that a financial institution may have with a customer or a group of customers. An EU regulation is valid as Swedish law.

The Consumer Credit Act
The Act states what the credit institutions shall observe when granting loans to consumers. The Act states information obligations regarding marketing of credits, prior information and the content of a credit agreement. It also states the conditions for changing the interest rate to the disadvantage of the customer and for repaying a loan prematurely. In September 2018 a new concept was introduced in the act, high cost-credit. High cost-credit is a credit with an effective interest rate that amounts to at least the reference interest rate with an addition of 30 percentage units and which is not mainly intended for credit purchase or is a housing credit.

The Covered Bond Act
Banks and credit market institutions can issue covered bonds according to a specific act, provided that the bonds have preferential rights on the assets of the issuing institution and that these assets meet certain criteria.

The Payment Services Act
The act states what a payment service provider is required to observe when payment services are offered in Sweden and performed in the EEA. In this act, it is stated what a payment service provider shall fulfil in order to have an authorisation to provide payment services, and in which cases exemptions from the authorisation are permitted. The act stipulates the obligation to provide payment account services, information requirements when providing payment services to customers, fees, time of execution, unauthorised transactions and sanctions, etc.

The Act on Deposit Guarantee Scheme
The act guarantees deposits in all kinds of accounts at banks, credit market institutions and investment institutions up to SEK 950,000 per depositor and institution. In addition, it is possible to apply for extra compensation up to SEK 5 million for deposits resulting from transactions serving a certain social purpose, for example a real estate transaction. The guarantee covers losses if an institution goes bankrupt or due to a decision made by Finansinspektionen.

The Anti-Money Laundering Act
The Act applies to banks and credit market institutions, but also to a number of other companies. The purpose of the regulations is to prevent firms from being used for money laundering and terrorist financing. The act has rules on risk assessment and procedures, customer due diligence, monitoring of transactions, reporting of suspicious transactions and sanctions, etc.

Other acts
Most of the acts mentioned are mainly based on EU directives. The acts are completed with more detailed provisions in the regulations and general guidelines, as issued by Finansinspektionen (the Swedish Supervisory Authority) and European supervisory authorities. The European supervisory authorities, EBA, ESMA and EIOPA, are responsible for harmonising the European rules and for coordinating the supervision within the EU. These authorities issue, among other things, technical standards, which the European Commission adopts as regulations and which the Swedish banks must follow, and guidelines.

Most of the Swedish banks are universal banks. This means that securities trading, asset management and corporate finance also constitute significant parts of their operations. In these different areas, there is further legislation. An important act in this respect is the Act on the Market for Financial Instruments. The Markets in Financial Instruments Directive (MiFID) is implemented in Sweden by this act.
Financial crisis management

Riksgälden (the Swedish National Debt Office) has, as a resolution authority, a central role in handling banks in crisis. Riksgälden is also the responsible authority for the state support measures to viable banks and the deposit insurance scheme.

Managing banking crises (resolution)
In 2016 the former bank support regulation was to a large extent replaced by new rules on managing crises in banks and other financial institutions. The new rules on resolution are based on global principles and the EU Bank Recovery and Resolution Directive. The new regulation establishes a special procedure, resolution, for managing institutions in crisis without putting them into bankruptcy. The purpose of the regulation is to manage failing institutions and to avoid major disruptions to the financial system and without taxpayers bearing the cost.

Through the resolution procedure, the government takes control of the institution in crisis and reconstructs it or winds it up in an orderly way. During this procedure, the institution can be kept open. The losses during the resolution procedure will be absorbed by the institution’s shareholders and creditors having their holdings written down and/or converted into equity (“bail-in”). Deposits covered by the deposit insurance scheme will not be affected by “bail-in”.

Riksgälden is Sweden’s resolution authority and is responsible for dealing with crises that arise and for conducting planning work to be prepared if an institution runs into problems. This includes producing a resolution plan for every institution and deciding on requirements concerning how much bail-in capable liabilities the institution should have.

Precautionary support
If there is a threat of a serious disturbance to the financial system, the state can in certain cases give precautionary support to viable banks and credit institutions. Riksgälden is the responsible authority and is permitted to support the funding of institutions via guarantees and in special cases also capital injections.

Resolution reserve
Losses arising during the managing of banks in crises shall primarily be covered by shareholders and creditors. In extraordinary circumstances, external financing might be required and therefore the Resolution Reserve has been created. The Resolution Reserve is financed by yearly resolution fees from banks and other credit institutions. Smaller credit institutions pay a yearly standard fee, while larger institutions pay a fee in relation to the risk they form in the system. The credit institutions paid SEK 5.8 billion (approximately EUR 550 million) in resolution fees to the Resolution Reserve in 2019.

In 2008, the Riksdag (the Swedish parliament) decided to establish a stability fund to finance the measures taken by the government to support the financial system. In conjunction with the new rules from 2016 on managing crisis in banks, resolution, the design and function of the stability fund was changed. Part of the stability fund remained in place for financing eventual measures within the framework of the Precautionary Support Act. The other part of the stability fund, which consist of already paid stability fees, was then transferred to the new resolution reserve.

Deposit insurance scheme
The deposit insurance scheme counteracts the risk of a serious disturbance to the financial system by providing security for savers and reducing the risk of bank runs in times of financial unrest. The Deposit Insurance Act guarantees deposits in all kinds of accounts at credit institutions up to SEK 950,000 per depositor and institution. In addition, it is possible to apply for extra compensation up to SEK 5 million for deposits resulting from transactions serving a certain social purpose, for example a real estate transaction. The guarantee covers losses if an institution goes bankrupt or due to a decision made by Finansinspektionen.

Financial stability funds
Banks and other financial institutions have paid fees to create funds for the deposit insurance scheme and financial stability over a prolonged period. In 1996 a fee was introduced to build up a fund for the deposit insurance scheme. In 2008 another fee was introduced to create the stability fund, which was replaced in 2016 with a new fee to build up the new resolution reserve. The fees that the institutions have paid to the different funds have grown to a total of SEK 128 billion (approximately EUR 12 billion) in 2019.
Mortgage loans constitute a large share of public lending in Sweden. This applies in particular to loans to households, where 82 percent of the loans are secured against residential property (one-family homes and tenant-owned apartments).

Mortgage institutions and banks, which provide mortgage lending, need in turn funding for the loans. The most common funding sources are bank deposits together with certificates and bonds (short- and long-term securities). However, the major share of the institutions’ funding of mortgage loans comes from a specific type of bond – covered bonds.

The development of covered bonds
Until 2006, the main funding of mortgages from banks and mortgage institutions consisted of mortgage bonds. A couple of years earlier, in 2004, funding with covered bonds became possible with a new covered bonds act in Sweden. From 2006 onwards, all mortgage bonds were converted into covered bonds.

The total amount of outstanding covered bonds had grown to SEK 2,456 billion at the end of 2019. During 2019 the institutions issued new covered bonds amounting to SEK 556 billion.

The structure of covered bonds
Unlike mortgage bonds and other corporate bonds, there is a cover pool tied to a covered bond. If the issuer of the covered bond is not able to repay the value of the covered bond, for example, due to bankruptcy, the holder has a direct pledge in the covered bond’s cover pool.

The cover pool of a covered bond consists of loans secured on one-family homes and tenant own apartments, but in some cases also loans secured by agriculture and commercial properties. Loans to local authorities or loans guaranteed by local authorities could also be included in the cover pool.

In order for the cover pool to maintain a sufficient quality, only mortgages that correspond to a maximum of 75 percent of the market value of the residential property may be included. In the same way, loans to agricultural and commercial property may be included in the cover pool if the loan amount does not exceed 70 percent and 60 percent respectively of the value of the collateral. In the covered bonds act, there are also strict requirements regarding follow-ups and control of the quality of the cover pool.

Good reputation
Since they were first issued in 2006, Swedish covered bonds have always had a good reputation among domestic and foreign investors. During 2008 and 2009, when the international financial markets were periodically very strained, the confidence in Swedish covered bonds was unaffected and Swedish banks and mortgage institutions could continue to issue new covered bonds in Sweden and abroad every month.

EU legislation on covered bonds
During 2019 a EU Commission directive on covered bonds was decided as a part of the implementation of the capital market union. The purpose of the directive is a minimum harmonisation of the national rules on covered bonds in the EU. The directive involves some adjustments to the current Swedish legislation on covered bonds. The adjusted rules will apply from mid-2022.
The Swedish banks conduct a responsible and sustainable business from an economic, environmental and social perspective. Corporate Social Responsibility (CSR) is an important part of their business and there is a strong correlation between being useful to society at large and have long-term success and profitability.

The banks help companies and economies to grow at local, national and transnational levels, thus driving the economic and social development. In addition to this, banks provide companies and organizations support in several areas, such as social commitment, education, sports and culture.

Most of the banks have guidelines for ethical and environmentally friendly investments and follow international standards in this area. Several of them have for example signed the UN Principles for Responsible Investment. Even in lending operations CSR aspects are important.

Work for reducing environmental and climate impacts are also underway within the organization, such as the purchase of furnishings and supplies, paper consumption and various forms of energy saving. It has among other things resulted in a significant reduction in banks’ carbon emissions. To procure paper from sustainable forestry in line with international standards and that travel and transport takes place in a climate friendly way, are other examples.

Many banks contribute to develop the financial skills of the public. This could mean providing training to teachers and tutors, but also to be out at school and teach private economy. It may also be providing financial support for academic institutions, educational programs and research in banking and finance. Several banks offer support through mentoring and internships for students.

The Financial Coalition against child pornography is an example of social responsibility where Swedish banks in cooperation with the police is working to prevent that the Swedish payment system are used for purchase and sale of child pornography images. This Swedish initiative has been a role model for other European countries in the fight against child pornography.

Sponsorship of various kinds is very common. In many cases it is an important contribution to organizations and associations that have difficulty obtaining financial support from other sources. Sponsorship.