

Memorandum of Understanding between Finansinspektionen and the Riksbank concerning a council for cooperation on macro-prudential policy

Purpose and background

Finansinspektionen (the Swedish Financial Supervisory Authority) and the Riksbank have tasks relating to the stability of the financial system. Both authorities also have a role to play in the prevention of financial crises. Finansinspektionen and the Riksbank therefore conduct ongoing, and partly overlapping, work to prevent threats to financial stability. The purpose of this Memorandum of Understanding is to strengthen the cooperation between Finansinspektionen and the Riksbank in the work to prevent risks to the system as a whole by setting up a council for cooperation on macro-prudential policy (hereinafter referred to as “the council”).

Finansinspektionen has the task of exercising supervision over financial companies, in particular those that are of the greatest significance to the stability of the system, and of working for orderly financial markets by supervising securities trading on stock exchanges and other marketplaces. Under the instructions¹ given to Finansinspektionen by the government, the authority should work for a stable and efficient financial system and for effective consumer protection within the financial system. Finansinspektionen has a particular duty to monitor and analyse developments within its area of responsibility.

The Riksbank has the task of promoting a safe and efficient payment system, which in practice means that the Riksbank has a broad responsibility for financial stability. The Riksbank oversees the development of the financial system as a whole, with a focus on institutions, markets and infrastructure of importance to financial stability, and presents its views on risks in, and the efficiency of, the financial system.

Finansinspektionen and the Riksbank thus have partly overlapping tasks, but they have different ways and means of performing these tasks and they also analyse and assess developments from different perspectives. There is therefore a mutual need for consultation and the exchange of information on risk assessments, appropriate measures and stances between the two authorities.

The interest of the two authorities in coordinating their efforts on issues relating to macro-prudential policy is also driven by their participation in bodies such as the Basel Committee on Banking Supervision and the European Systemic Risk Board (ESRB). The authorities have a common interest in coordinating their stances in these and other international forums.

The cooperation between Finansinspektionen and the Riksbank has previously been outlined in the so-called four-party Memorandum of Understanding.² This Memorandum is in two sections. The first section is an agreement between the Government Offices (Ministry of Finance), the Riksbank, Finansinspektionen and the National Debt Office on crisis management. The second section is an agreement between Finansinspektionen and the Riksbank on special collaboration and the exchange of information which partly covers cooperation in areas other than crisis

¹ Regulation (2009:93) with instructions for Finansinspektionen.

² Memorandum of Understanding between the Government Offices (Ministry of Finance), Sveriges Riksbank, Finansinspektionen and the Swedish National Debt Office regarding cooperation in the fields of financial stability and crisis management (May 2009).

management and partly provides a more detailed description of the division of work and the cooperation between these two parties. This section of the four-party Memorandum is based on the regulations that govern the authorities' activities and that express obligations with regard to consultation and information sharing in various areas.³

The present Memorandum complements the four-party Memorandum in that it represents a further development of the cooperation between Finansinspektionen and the Riksbank in the field of preventive macro-prudential policy.

The aim of this Memorandum is to establish, within the framework of existing legislation and mandates, an effective structure for consultation and the exchange of information on:

- Assessments of risks to the financial system as a whole. The possibility to assess risks correctly will increase if the parties' different perspectives, analyses and information can be weighed together.
- Assessments of the need for measures to prevent risks to the financial system as a whole. This will increase the possibilities of the respective authorities, within their areas of responsibility, to make a well-balanced assessment of what measures are appropriate.
- The development of analyses, tools and methods that can be used in the work to prevent systemic risks. The ambition should be to coordinate this development work as far as possible. This would help to make the most of the partly different skills and expertise of the authorities and to avoid the duplication of work.
- The authorities' stances concerning assessments of risks to the financial system as a whole and appropriate measures for preventing these risks, and the communication of these assessments. The aim of this consultation should be to coordinate the action taken as far as possible. Consultation under this point can help to increase the clarity of the authorities' communication with the participants on the financial market, other authorities and the public.

The Riksbank and Finansinspektionen make independent decisions within their areas of responsibility in accordance with the decision-making processes that apply at the respective authorities. The consultation mentioned in this Memorandum does not therefore alter the independence, responsibilities or decision-making powers that the respective parties have in relation to their tasks.

Under the provisions of the Public Access and Secrecy Act (2009:400), some of the information held by the respective authorities may be confidential and the possibility to pass this information on to the other authority, or to a third party, may be limited.

The composition and organisation of the council

The council for cooperation on macro-prudential policy should consist of the Governor of the Riksbank (chair), the Head of the Riksbank's Financial Stability Department, the Director General of Finansinspektionen, Finansinspektionen's Chief Economist and Finansinspektionen's Chief Legal Counsel.

Other individuals may participate in the meetings if the authorities find this appropriate.

³ Finansinspektionen's Instructions 2009:93, the Sveriges Riksbank Act 1998:1385 and the Act on Systems for the Settlement of Obligations in the Financial Market 1999:1309.

Secretariat

A secretariat should be set up for the council to prepare and convene meetings. The secretariat should document the meetings of the council.

The Riksbank will be responsible for the secretariat. Finansinspektionen and the Riksbank will assist the secretariat by producing the background material and other documentation required for the council meetings.

Preparatory committee

A preparatory committee should be set up to oversee the preparation of the council meetings. This committee should consist of Finansinspektionen's Chief Economist (chair), the Head of the Riksbank's Financial Stability Department, the Riksbank official responsible for the secretariat and the official at Finansinspektionen who has been appointed as the contact for the council's activities. Other individuals may participate in the committee's meetings if Finansinspektionen's Chief Economist or the Head of the Riksbank's Financial Stability Department find this appropriate.

The committee may also act as an open forum for consultation and the exchange of information between Finansinspektionen and the Riksbank in accordance with the regulations that govern the activities of the authorities and the second section of the four-party Memorandum of Understanding. This may, for example, concern the coordination of the collection of data from the participants on the financial market or the forms and structures for discussing stances and the presentation of material in various organisations of common interest, such as the Basel Committee or the ESRB.

The committee should meet ahead of every council meeting. Additional committee meetings may be held if Finansinspektionen's Chief Economist and the Head of the Riksbank's Financial Stability Department find this appropriate.

The work of the council

The council will discuss the assessments of the respective authorities concerning systemic risks, appropriate risk-prevention measures and issues relating to the development of macro-prudential policy in general. The council may also discuss and, when deemed appropriate, coordinate, stances on macro-prudential policy issues in the international bodies that both parties participate in. The council should also act as a forum for the discussion and coordination of communication and measures within the authorities' common sphere of interest.

Both Finansinspektionen and the Riksbank may independently propose issues that should be discussed by the council. Draft agendas for the meetings should be drafted jointly by the authorities.

Council meetings should be held at least twice a year. Both Finansinspektionen and the Riksbank may independently convene additional meetings.

The council shall strive to be as open as possible while taking into consideration what is appropriate with regard to the prevention of threats to financial stability and what is possible with regard to valid secrecy regulations. The Riksbank and Finansinspektionen should jointly make public, taking into consideration the above, issues discussed during the meeting.

Cancellation of the Memorandum of Understanding

The Memorandum will cease to apply if responsibilities and powers concerning macro-prudential policy are regulated by law in some other way.

Both Finansinspektionen and the Riksbank are entitled to cancel the Memorandum with immediate effect.

Stockholm, 17 January 2012

The Riksbank

Finansinspektionen

Stefan Ingves
Governor

Bengt Westerberg
Chairman of the Board