



PRESS RELEASE

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■ The Swedish financial markets are functioning well despite the continued uncertainty in euro area

The Swedish financial markets are functioning well despite the continued uncertainty in the euro area, according to the market participants who responded to the Riksbank's risk survey in spring 2013. It is still developments in the euro area that comprise the main risk to the Swedish financial system in the coming period. The majority of the respondents therefore believe that their propensity and possibility to take on risk will remain unchanged in the coming period.

Low interest rates have increased investors' demand for higher-risk investments

The Swedish financial markets are functioning well despite the continued uncertainty in the euro area. The participants assess that liquidity has improved somewhat on both the Swedish fixed-income and foreign exchange markets. Earlier measures taken by various central banks are thought to have calmed the markets somewhat. The low interest rate environment has also meant that investors have been inclined to turn to higher-risk investments to obtain higher returns. At the same time, recent developments in Cyprus and Italy have acted as a reminder that there are still structural problems among the debt-ridden countries in the euro area. The majority of the respondents therefore believe that their propensity and possibility to take on risk will remain unchanged in the coming period.

Unchanged risk outlook

The survey respondents still consider that the most probable outcome is that various risks linked to developments in the euro area will have a negative effect on the Swedish financial markets. These are also the risks that would have the most severe consequences if they were to materialize. On the whole, the respondents' overall assessment is that the risks are relatively unchanged since the previous risk survey. The negative consequences for the financial system if Swedish households were to have problems meeting their mortgage payments



■ are assessed as substantial. However, the probability of this happening is considered to be relatively low.

Many respondents are uncertain over the effects of coming regulations

The respondents consider that the regulations introduced over the past six months, such as the Liquidity Coverage Ratio for Swedish banks, have not affected the functioning of the markets to any greater extent. However, many of them state that they are uncertain over the effects of coming regulations for banks through Basel III and for derivatives on the OTC market through EMIR.

Since spring 2008 the Riksbank has carried out a twice-yearly survey of participants in the Swedish fixed-income and foreign exchange markets. The questions in the survey refer to the participants' views on risk and also to their opinions regarding the functioning of the markets. The Riksbank's risk survey spring 2013 was carried out in March and April. It can be downloaded as a PDF from the Riksbank's website, www.riksbank.se.