



Bank resolution from a Swedish perspective

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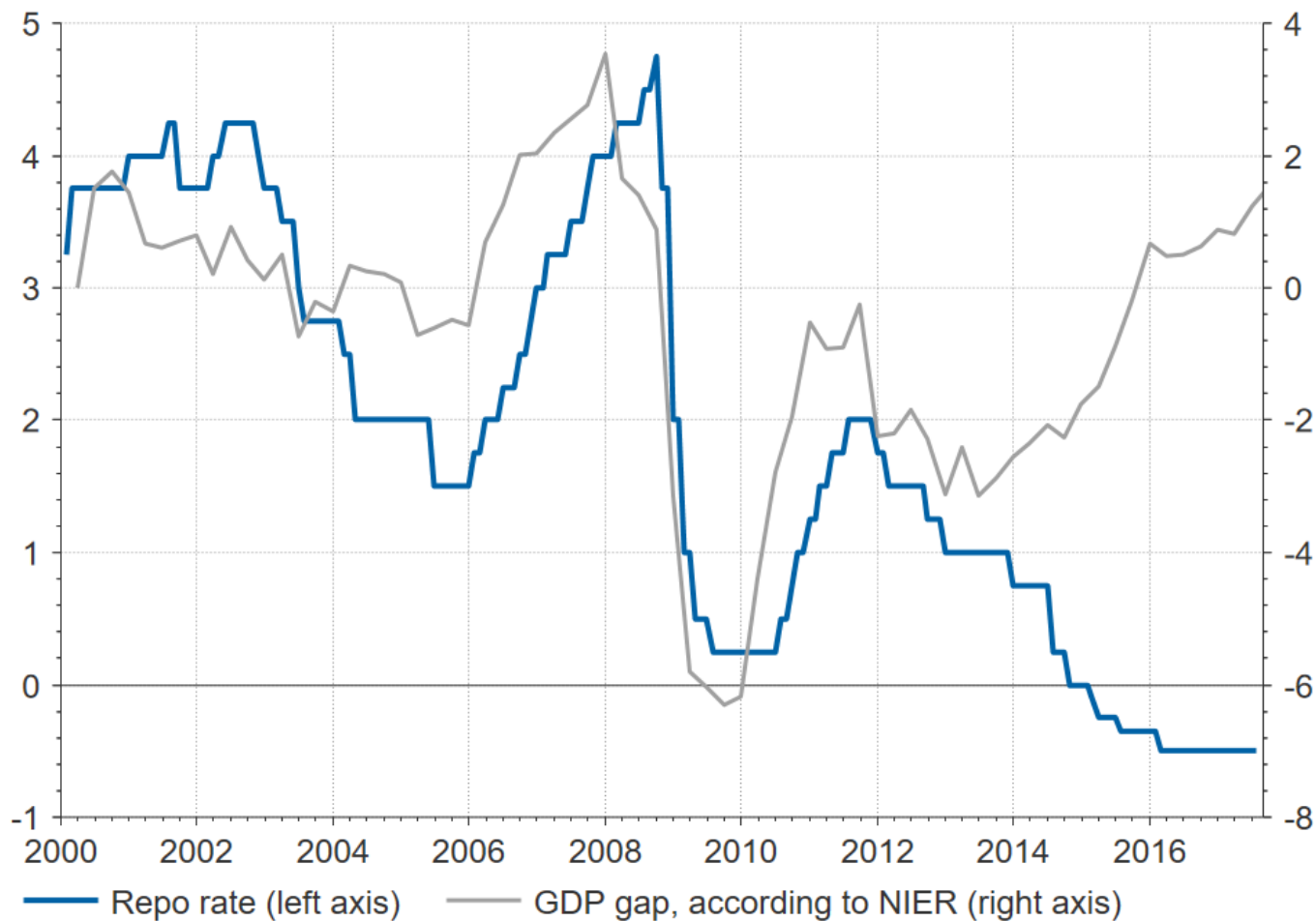
6 September 2017

The Swedish National Debt Office



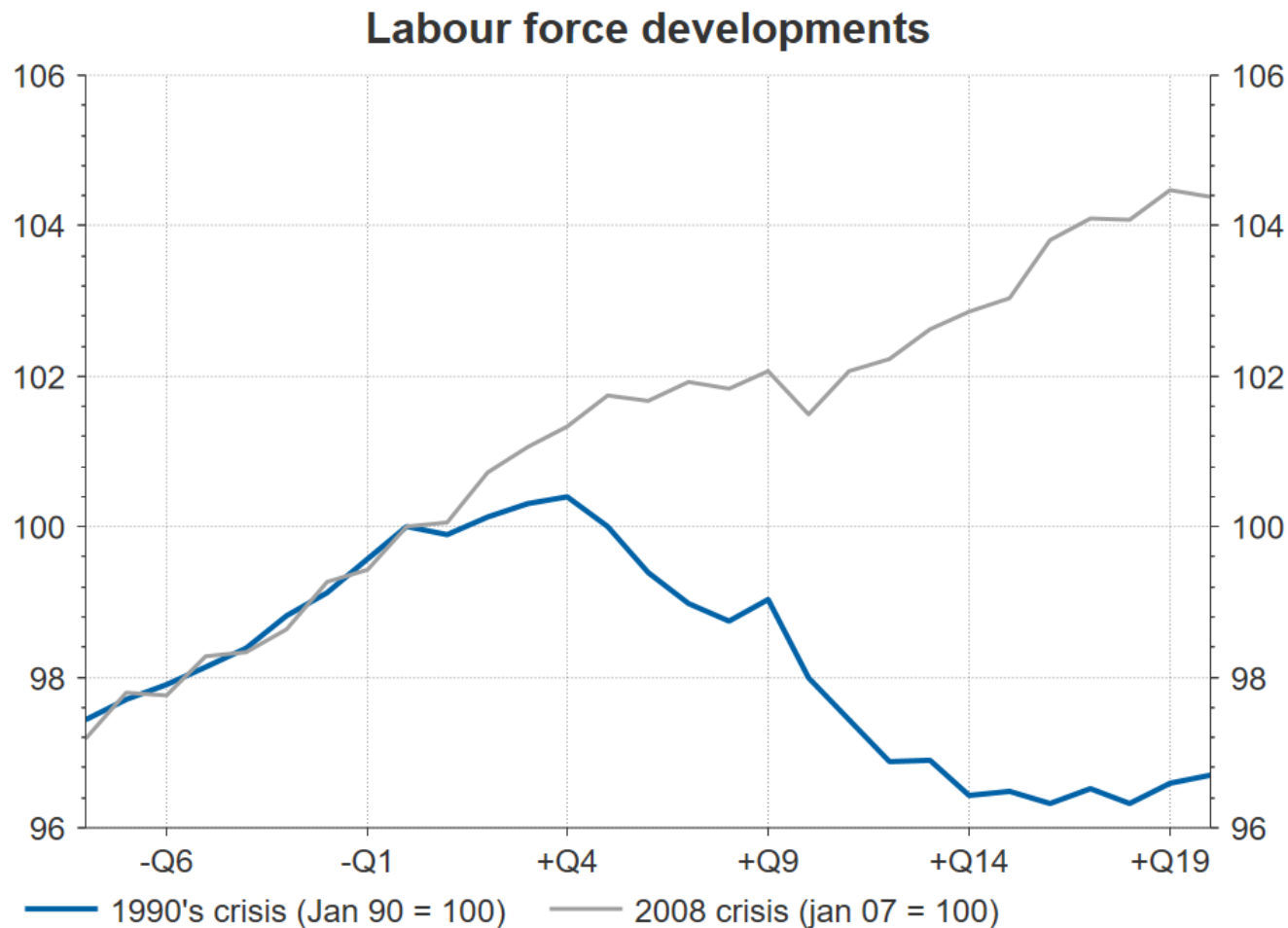
- Cash management
- Government debt
- State guarantees & lending
- Deposit guarantee scheme
- Bank resolution
- Financial stability council

Macro focus is usually on the strong cyclical position...



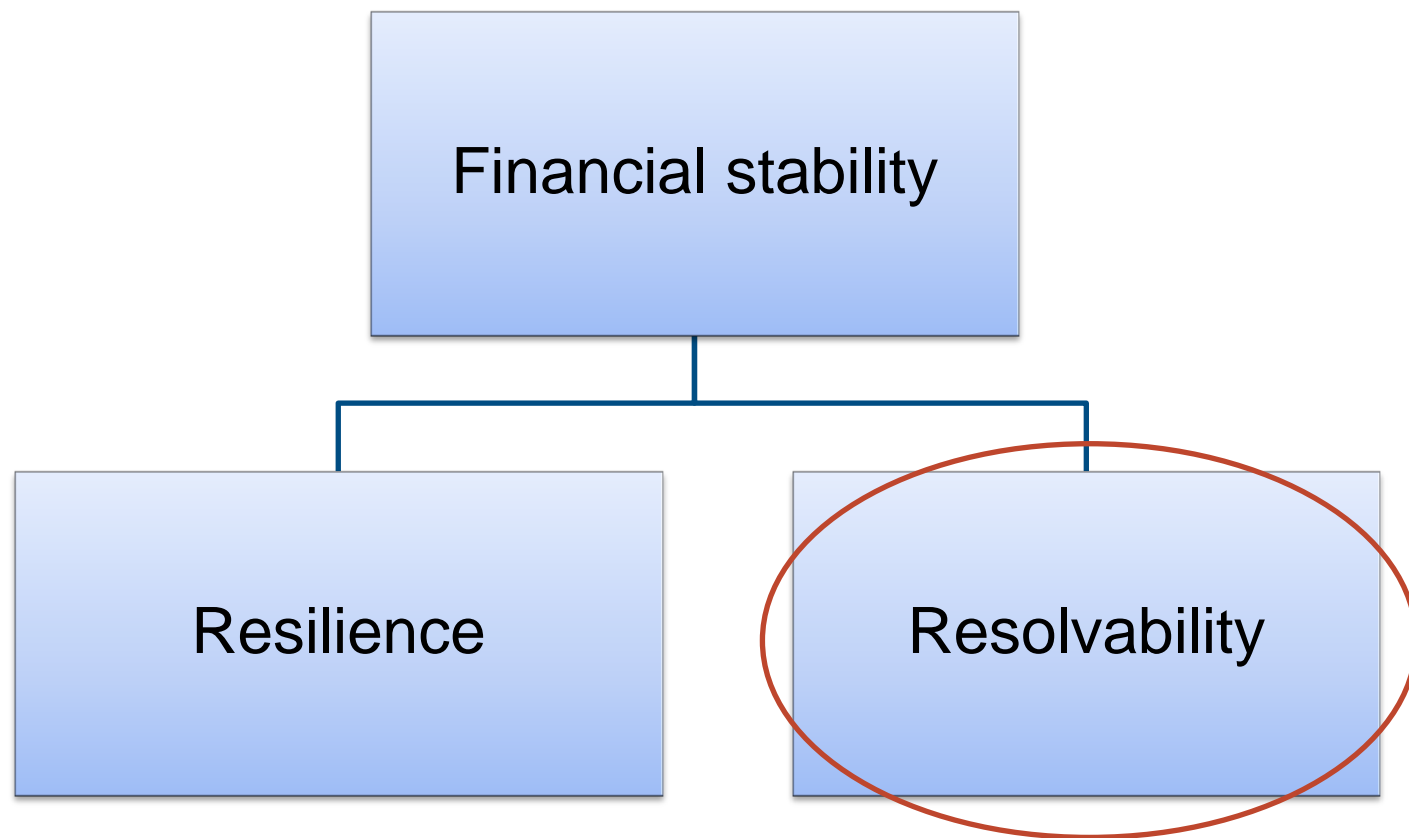
Källa: Thomson Reuters Datastream

...but do not forget structural changes



Källa: Thomson Reuters Datastream

New dimension for ensuring financial stability



Swedish MREL framework

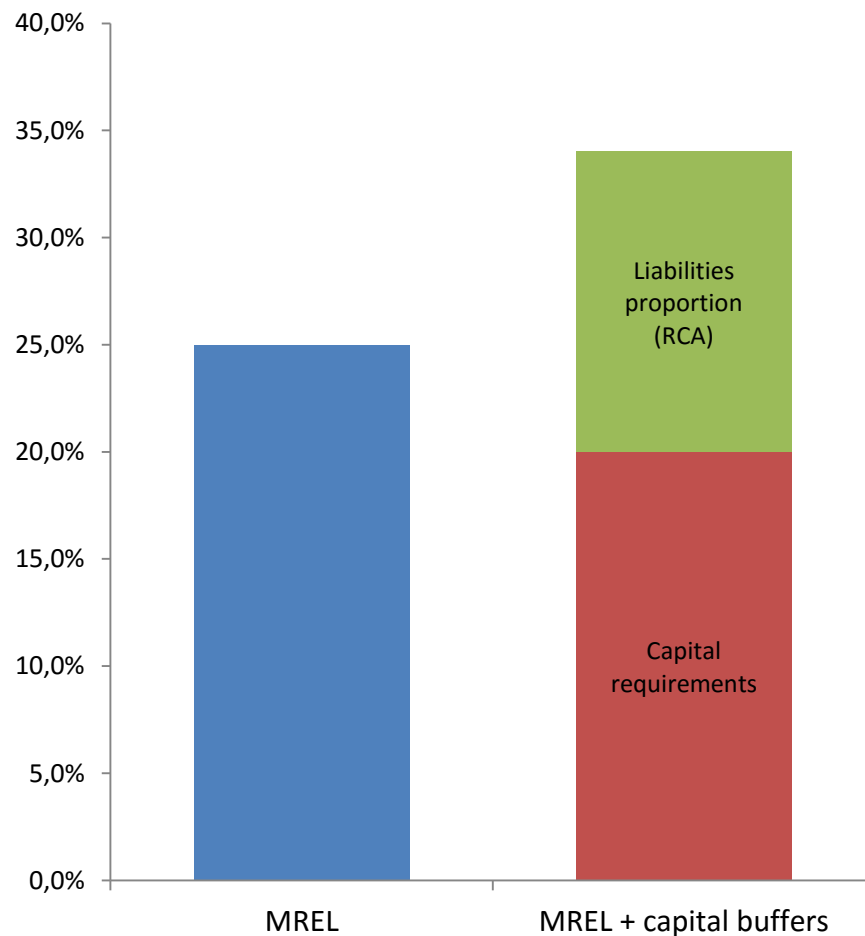
- Based on BRRD and EBA RTS
- Decision Memorandum February 2017
- Quantitatively high levels to ensure most plausible loss scenarios can be accommodated
- Qualitative aspects as important
 - 100 % subordination
 - minimum 'liabilities proportion'
- Phase-in
 - Bank-specific decisions in December 2017
 - Compliance with MREL levels 1 Jan 2018
 - Subordination requirement applies from 1 Jan 2022

Illustration of total requirements

Example bank with 20 % capital requirements

MREL calculation	% risk-weighted exposures
Total capital requirements	20,0%
Capital buffers	-6,0%
Macro-prudential components in Pillar 2	-3,0%
Loss absorption amount (LAA)	11,0%
Total capital requirements	20,0%
Capital buffers	-6,0%
Recapitalisation amount (RCA)	14,0%
MREL	25,0%

Liabilities proportion = 14 % (RCA)



Current developments

- EU and US banks are now issuing subordinated MREL instruments
- Recent experiences in Europe
 - Unviable banks are being winded down
 - Full-scale resolution proceedings have been undertaken
 - BRRD has been respected
- Conclusions from the past year in Europe
 - MREL should be set for all systemically important banks as soon as possible
 - Importance of subordination: it must be crystal clear where losses will end up
 - Asset managers must explain to their investors who might be exposed
- Swedish resolution strategies remain clear
 - Whole-bank bail-in through single point of entry for the big cross-border banks

Further developing the resolution framework

- Review of BRRD and associated rules in the EU
 - Authorities should have flexibility in setting MREL level: preserve the current model
 - Subordination should be mandatory
 - Harmonisation of insolvency hierarchy needed
- Areas in focus at the global level
 - Defining strategies for access to central bank facilities in resolution
 - ISDA Resolution Stay Protocol
 - A resolution framework for central counterparties

Process for setting MREL in Sweden

- Decision Memorandum was published in February
- Dialogue with the four cross-border banks took place in August
- Some further clarifications from SNDO during September-October
- Decisions in resolution colleges at the end of Q4
- Swedish banks are well placed to meet the incoming MREL requirements