



EUROPEAN CENTRAL BANK  
BANKING SUPERVISION

# Banking integration in Europe and in Sweden

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Open Forum at the Sveriges  
Riksbank

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# Outline

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- 2 International linkages of the Swedish banking sector
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# The long road towards banking integration in Europe

- 1957 Treaty of Rome
- 1973 Directive on the freedom of establishment of credit institutions
- 1977 First banking directive
- 1983 EC white paper on financial integration
- 1986 Single European Act
- 1989 Second banking directive – single passport for banks**
- 1992 Maastricht Treaty on the European Union
- 1995 Sweden joins the EU**
- 1999 Establishment of the Monetary Union
- 2000 Lamfalussy Report - ‘level 3 committees’ on supervision, insurance, and securities
- 2002 Introduction of the single currency
- **2004 Committee of European Banking Supervisors**
- 2008 Global financial crisis
- 2009 de Larosière report
- **2010 Establishment of European micro- and macro-prudential authorities (EBA, EIOPA, ESMA, ESRB)**
- 2011-12 Euro area sovereign debt crisis
- 2012 EC call for a Banking Union and proposal for the creation of a Single Supervisory Mechanism
- 2013 EC proposal for a Directive establishing a framework for the recovery and resolution of credit institutions and investment firms
- 2014 Operational start of the SSM
- 2016 Operational start of the Single Resolution Board

Source: own construction on the basis of Enoch, Everaert, Tresselt and Zhou (2014)

# Strong international linkages of the Swedish banking sector

## Banking structure in Sweden (2019 data)

	Number of institutions	Total assets (in billions of SEK)	Percent of total assets	Percent of GDP*
Foreign bank branches in Sweden	36	2163	14.7	44.7
Swedish bank branches abroad	67	1679	11.4	34.7

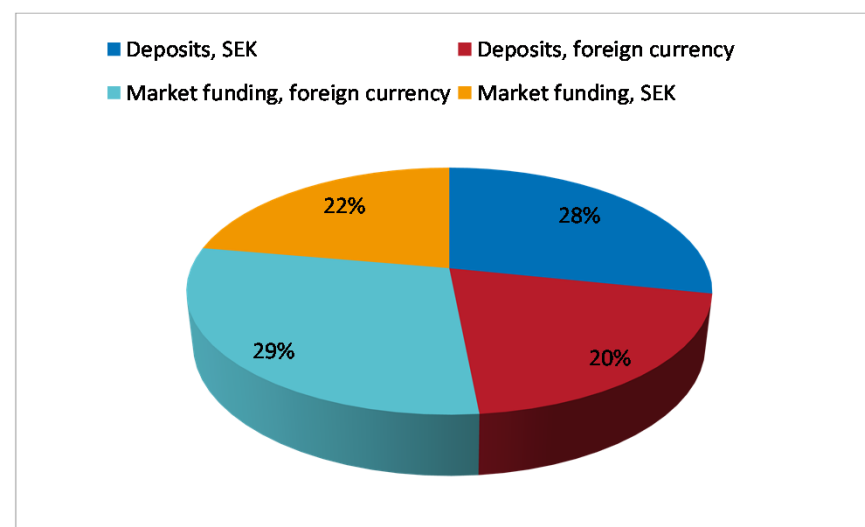
\*note: calculated on the basis of 2018 GDP

## Banks' exposure to foreign exchange on the asset side (2019 data for the three largest banks, in percent)

Foreign currency loans as percent of total loans	34.3
Foreign currency assets as percent of total assets	37.4

Source: Banks' annual reports, FI, and Riksbank

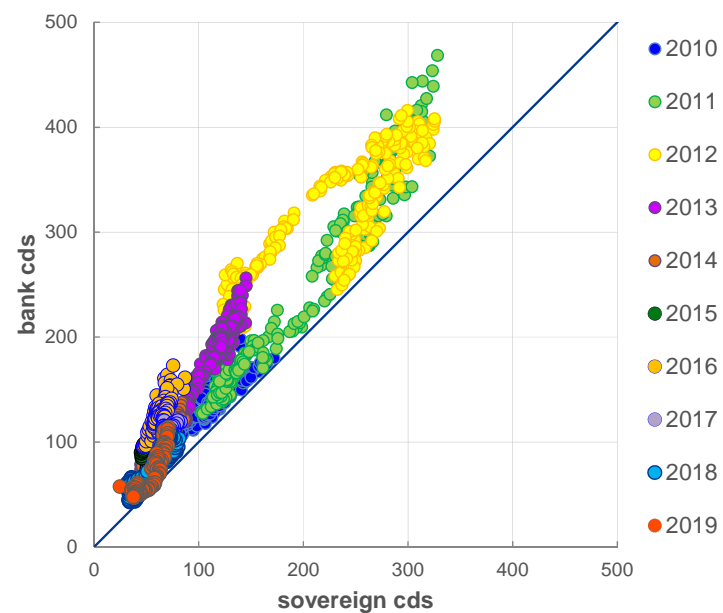
## Funding structure of Swedish banks (2019 data for the three largest banks, in percent)



Source: Banks' annual reports, FI and Riksbank

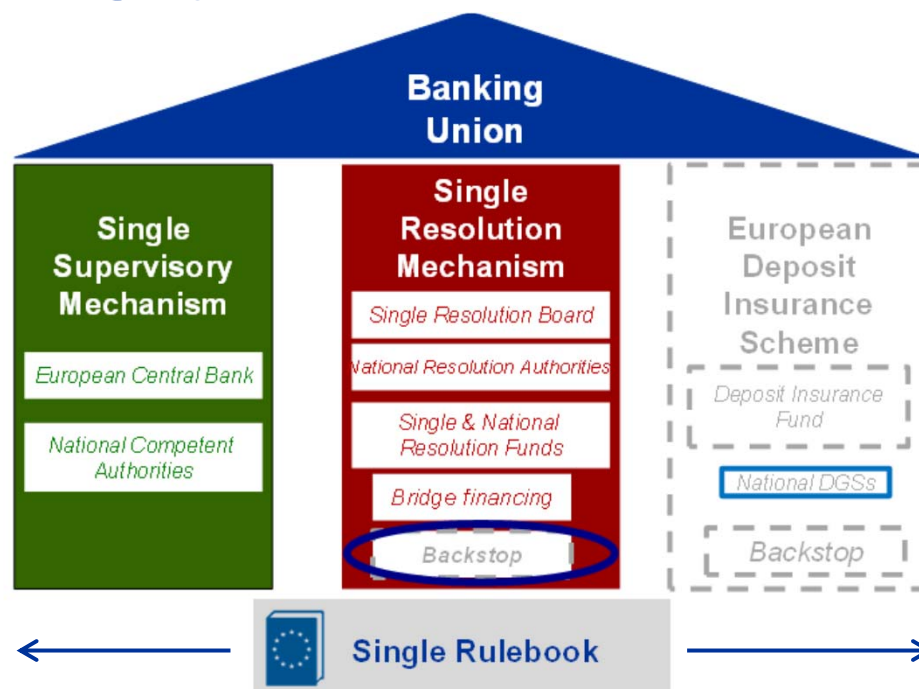
# Weakening the sovereign-banking nexus

Sovereign and bank CDS spreads in the euro area (basis points)

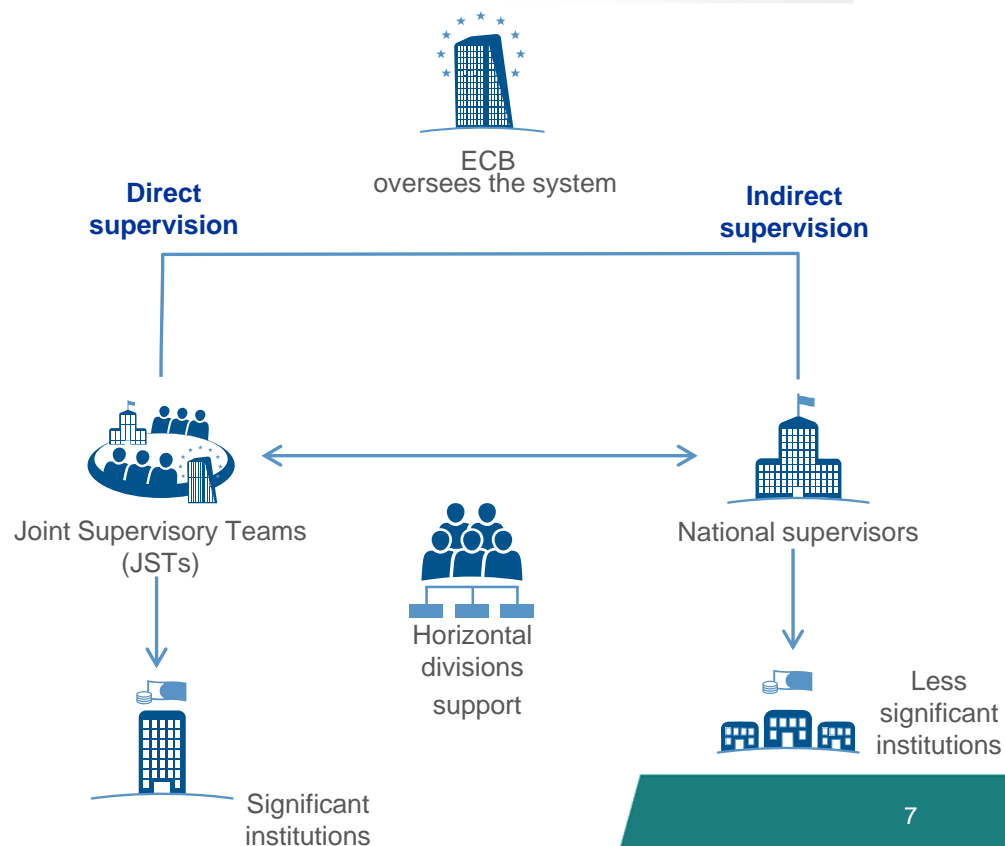


Source: Thomson Reuters and ECB calculations

# Banking union aims to have a more transparent, unified and safer banking system



# The Single Supervisory Mechanism



## Aims of the SSM

- ✓ contribute to the safety and soundness of the banking system
- ✓ ensure consistent supervision

➔ **increased financial integration and stability**

# ECB banking supervision - many initiatives to reach a higher common supervisory standard

The Supervisory Board discussed and decided on issues in



135

meetings



10,154

supervisory decisions were taken

The most common decisions were on

4,942

fit and proper assessments

594

internal models

830

own funds

675

SREP

475

significance

602

qualifying holdings

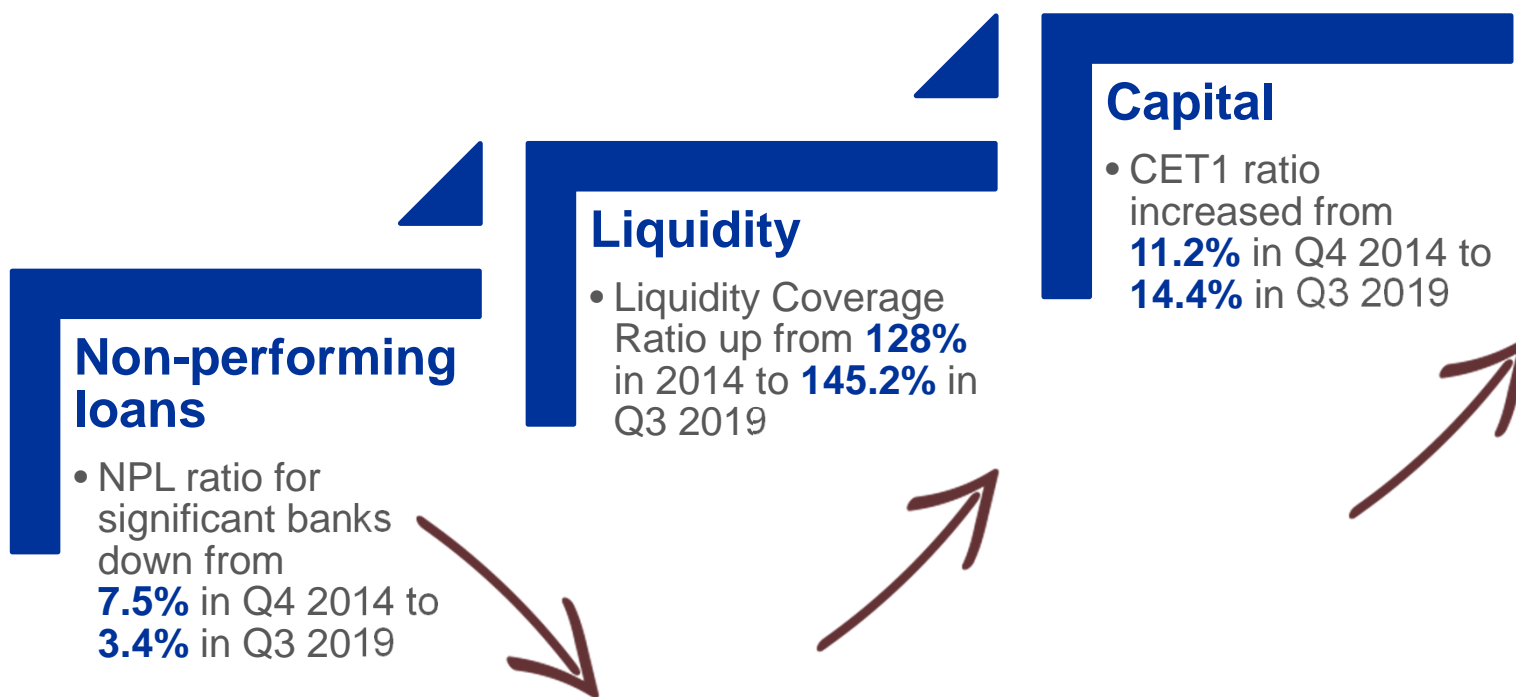
## Key projects have included

- ✓ harmonisation of the Supervisory Review and Evaluation Process (SREP)
- ✓ dealing with options and discretions provided in European legislation in a consistent manner
- ✓ measures to reduce non-performing loans
- ✓ targeted review of bank's internal models

Note: period ranging from November 2014 until end-January 2020



## The ECB's efforts to strengthen the resilience of the banking system are bearing fruit



# Supervisory priorities are continuing with balance sheet repair and strengthening future resilience



## Important policy issues for a more resilient and integrated banking sector in Europe

- ✓ Completion of the banking union
- ✓ Implementation of the Basel III framework
- ✓ Improving the crisis management framework for troubled and weak banks
- ✓ Improving fit and proper assessments
- ✓ Strengthening the AML framework
- ✓ Climate change and green finance



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**Thank you for  
your attention!**

