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[Start](#) > [Published](#) > [Press releases](#) >

# FI lowers the countercyclical capital buffer to zero

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The spread of the coronavirus disease is sending serious economic shocks throughout the world and in Sweden. There is currently widespread uncertainty about the future course of events and how far-reaching the economic impact will be. The economic disruptions and the greater uncertainty are also affecting the financial system. Finansinspektionen (FI) will therefore lower the countercyclical capital buffer requirement for banks from 2.5 per cent to 0 per cent. This corresponds to a reduction of around SEK 45 billion. The buffer is being lowered pre-emptively to ensure a well-functioning supply of credit, which helps firms and households maintain production, consumption and investments.

**FI's Director General Erik Thedéen will be available for comments at a press conference today at 10:00 a.m.**

**Time: 10:00 a.m.**

**Place: FI's premises at Brunnsgratan 3, Stockholm**

The press conference is only for representatives from the media, but it will be broadcast live on FI's website, [FI Play/Film](#).

"We are experiencing uncertain economic times. FI is therefore lowering the countercyclical buffer requirement to zero. Over the past few years of strong economic growth, we have gradually built up our buffer to the highest in the EU. This means that we can now lower it to offset the negative impact of the coronavirus disease on the Swedish economy. When the economy suffers a serious shock, it is important for banks to continue to lend to firms and households. The banks bear considerable responsibility in this respect. They are profitable, and we expect that they will do what they can to meet the loan needs that may arise. What we are doing is freeing up significant lending capacity for the banks," says FI's Director General Erik Thedéen.

The spread of the coronavirus disease is having a negative economic impact on the world and Sweden due to disruptions in production chains and weaker demand. There is considerable uncertainty about the economic impact.

The economic disruptions are having a negative impact on the financial system. Risk appetite on the market has decreased, but firms and households still need to borrow to maintain production, investments, and consumption, even when the economy has suffered serious shocks. In such a situation, it is ideal for the banks not to restrict their lending.

In order to ensure a well-functioning supply of credit, FI is lowering the countercyclical buffer from 2.5 per cent to 0 per cent. The aim of the buffer is to build up the banks' resilience during good times. The buffer can then be used to uphold the banks' ability to issue loans to firms and households even when the economy is weaker.

FI has increased the countercyclical buffer requirement several times over the past few years. Compared to banks in other countries, Swedish banks currently have large buffers. This means it is now possible to draw on these buffers to support the stressed economy.

By lowering the countercyclical buffer requirement to zero, FI creates capacity for the banks to maintain or increase their lending. The capital requirements of the Swedish banks will be approximately SEK 45 billion lower following the reduction in the countercyclical buffer requirement, which should create a capacity of around SEK 900 billion for new lending.

FI considers the resilience of the financial system in Sweden to be satisfactory, and the banks are profitable. With a strong baseline and a reduction in the buffer

requirement, the conditions are now all in place for the banks to meet their customers' needs for financial services even if the economic situation deteriorates. FI expects the banks not to increase their dividends as a result of the measure and will follow up on this in its supervision of the banks.

The decision was made by Director General Erik Thedéen today, 13 March 2020, following a discussion with FI's Board of Directors. The proposal has been submitted for consultation until Monday, 16 March 2020, at 10:00 a.m. The Board of Directors will make the formal decision on Monday, 16 March. The decision will then enter into force.

### **Practical information regarding the press conference**

Due to the coronavirus disease, we ask that anyone who has visited one of the identified high-risk areas in the past fourteen days to please refrain from visiting us. The identified high-risk areas are:

- China
- Hong Kong
- Italy
- Iran
- South Korea
- The state of Tyrol in Austria.

Thank you for your cooperation.

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