

Appendix 1. The press release of September 24, 1992 by the minister for fiscal and financial affairs.



SWEDISH MINISTRY OF FINANCE

September 24, 1992

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Statement by the
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MEASURES TO STRENGTHEN THE FINANCIAL SYSTEM

In the agreement a few days ago between the Government and the Social Democrats on structural measures to strengthen the Swedish economy and cut the government budget deficit it was stated that the parties consider it necessary to secure a well functioning payments system.

In a Bill to Parliament this autumn, the Government will ask for authorization to take general measures intended to strengthen the payments system and secure the supply of credit. This will also improve the conditions for a rebound of the economy.

Since the autumn of 1991 the Government has taken measures to eliminate problems affecting Första Sparbanken, Nordbanken and lately Gota Bank.

The measures put forward in the Bill will create a framework to ensure the functioning of the Swedish banks and their subsidiaries. This also applies to the functioning of those credit institutions outside the banking sector which have a Government affiliation, e.g. Stadshypotek, SBAB and Landshypotek.

The obligations of these institutions will be honoured. The implication of this is that households, enterprises and other holders of claims can feel safe.

The Government's commitment will remain as long as is necessary and will subsequently be reduced in such a way that the interests of creditors will not be jeopardized.

The general measures proposed will imply:

- that the Government is authorized to decide on guarantees, loans and supply of capital or to take other measures to increase or strengthen the capital base of the banks and of credit institutions with Government affiliation.
- that all banks, also those already affected by Government measures, and credit institutions with Government affiliation will on a voluntary basis and within a given scope be eligible for supporting measures. The banks will thus have the capacity to honour the obligations of their subsidiaries.
- that subsidies will be kept at a minimum and that any support given will be repaid as far as possible out of the profits that will arise when the situation has been stabilized. Thus, the cost for the taxpayers will be lessened.
- that the support measures will be given such forms that possible distortions of competitive conditions are minimized.
- that the Government while giving financial support can request structural changes and rationalisations. A bank or a credit institution with Government affiliation that wishes to become eligible for the measures that will be proposed should have a business that can be expected to be profitable in a longer perspective. Otherwise a restructuring, in an orderly way, of the banking system will be accepted.

- that the measures initially will be handled by a special group within the Ministry of Finance. Later on a special authority may be established.

The Government has in these matters conferred with the Social Democrats and measures will be taken unanimously.