

The adaptable survives #4

- The effects of increased regulation of banks

Report on the 2018 survey

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Foreword

This is the fourth annual report on the effects of change in banking regulations that started with a thesis written in 2015 at Stockholm Business School Executive MBA program.

The purpose of the annual reports is to do a limited follow up of trends and results based on an annual survey within the banking industry.

I want to give a special thanks to Swedish Bankers Association for the cooperation during all four years that make this annual survey possible and to all colleagues in the banking industry that take their time to answer.

Thanks also to the new cooperation partners, Swedish Savings Bank Association, Finance Norway, Finance Denmark and School of Business, Law and Economics at University of Gothenburg for all support with the 2018-year survey. The survey has gone "Nordic" this year.

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Om the author:

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Executive summery

The regulation both protects and threatens, but there is an increased competition and banks need to act. They are not quick in adapting to digitalisation, haven't focused enough on processes and are recruiting with in the industry due to regulation knowledge. It is an unsatisfactory result for the regulators that there is so much uncertainty about the regulation and what's good enough. That summarize the analysis of the 2018 survey.

The annual survey examines the effects of changed regulation. So far mainly on Swedish banks but from this year also Norwegian, Danish and Finnish banks. The survey is focusing on three areas; regulation, competition and processes & leadership.

This is the fourth annually recurring survey and the first with respondents outside Sweden. The response rate was 33 percent, 190 replies of which 169 was in Sweden.

The aim of the studies is to understand the ongoing changes in the regulation and the changing competition from other financial actors, giving effect on banks, as well as creating a basis for wider research projects in the regulatory area.

Increasing and changed regulation has been a major topic in banks for a long time as business conditions change. The purpose of the regulations is to secure financial stability and a single rulebook both globally and within the European Union. The regulation has moved from local regulation to Basel and EU over the past ten to fifteen years. The focus is on large international banks, but it also targets small local banks. All banks have by this got many more authorities to follow and implementation of regulation is consuming a lot of resources.

The result shows that the regulation still is considered unclear and hard to get around as well as the regulators aren't clear enough in their regulations and instructions. That makes it difficult to know when the implementation is good enough. Competition from other financial actors is expected to increase even more by their ability to swiftly adjust to customer behaviour. Many open response answers deal with the fact that it is seen that competition is distorted as these other actors are not covered by the same regulation, and that certain regulation means that they can utilize on banks infrastructure without any or limited costs.

The process-oriented governance gained a bigger focus in last year's survey, but not this year. There is no improvement but no deterioration either. It is still valid that the future bank managers need to be administrative stars with extensive business orientation. It is difficult for managers required outside the banking industry to understand the regulations. At the same time banks need of managers with good IT knowledge increases, and these managers may need to come from other industries.

The conclusion stands even after analysing this fourth survey: "Banks are risking a myopia, they see the changes but are unable to implement the necessary adjustments to new business conditions" - The adaptable survives.

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1. Introduction

The area of research in this report is the same as earlier years; the increased regulatory effects and if there is a risk of a bank's¹ myopia, a concept of myopia that misses important changes in the outside world and thus, in time, fails in adapting its business model to changing customer behaviour. The study has developed from two to three areas in which the regulation itself now is a separate area.

- 1. how the regulation is understood, constructed and applicated in banks,*
- 2. competition between banks and other financial actors² that do not fall under the same regulation and*
- 3. influence of regulation on the bank's processes and leadership.*

The results in these areas will be compared to the results in previous years' surveys.

1.1. Banks and its regulation

For readers who do not themselves work in the banking industry, it is recommended to read the author's thesis "Den anpassningsbare överlever" (The adaptable survives) (2015) to receive the necessary background information in order to be able to access this report. The thesis is available in full and as an executive version at www.jacobsson.se. The thesis is in Swedish.

A description of the bank regulation is found in Appendix 1 – The bank regulation.

1.2. Limitation

The report has as well as the thesis:

- only a casual review of regulation other than risk management.
- not study the effects of regulation on other financial institutions, finance companies or shadow banks, collectively named other financial actors.
- not to analyse the consequences of non-compliance with the regulation and subsequent regulatory measures.
- only casually discuss technology change and other environmental factors.

The limitation is made as the above areas are nearby but are nevertheless deemed not to be essential for the analysis.

Furthermore, this report does not contain a theory review as the thesis did.

¹ With bank means in this report also credit market companies "kreditmarknadsbolag" that is regulated under the same regulation as banks.

²Other financial actors – for example IT-companies, service companies and shadow banks that compete with banks without being under the same regulation. Shadow banks is financial companies that conduct banking like services.

2. Method

The author studies the questions with qualitative method. The 2018 survey is somewhat developed compared with previous years. The survey is sent to a wide group of professionals active in the banking sector. The survey contains both predefined answer options and open response questions.



2.1. Survey formation

The data collection is done with an empirical study through a survey verified by an expert panel (2015), a survey design expert (2016) and a researcher at the School of Business, Law and Economics at University of Gothenburg (2018). The Web-based surveys have been made in two versions, one for bank employees and one for other banking professionals. Both surveys contain the same questions, the difference is how the questions are formulated. It is an empirical study based on the knowledge of the author and respondents about banks and banking regulation.

2.2. Identifying recipients

The survey recipients consist primarily of persons who are members of a committee in the Swedish Bankers Association relating to capital adequacy, liquidity, legal, compliance or operational risks, or within the equivalent committees with the Swedish Savings Bank Association, Finance Norway or Finance Denmark, and persons with whom the author has a professional relationship. The selection has been made on the basis that they are expected to provide a comprehensive view of the questions based on the banks' internal perspective. The recipients are categorized in Bank employees or Others. The group Others consist of persons employed at consultancy companies, universities / colleges, authorities or independent board members.

2.3. Distribution

The survey is conducted via the web where recipients receive a link sent by e-mail together with information about the survey. The information contains a description of the purpose, scope, volunteering of answering the questionnaire and guaranteeing anonymity.

2.4. Analysis

The data collection is analysed by comparing the results with previous year results and predefined answers with open response answers. Using the background information, comparisons can be made between larger and smaller banks, as well as between respondents with good insight into the regulation and the less involved. Any differences in response patterns between respondent categories are made between those who are or are not members of any committees and between those with and without employee responsibility.

3. Result and analysis

The 2018 survey received in Sweden a 37 percent response rate, 169 replies, and in total 33 percent response rate, 190 replies. The result this year is much like previous years that:

- the very detailed regulations are not transparent nor not clear and banks are uncertain about how to apply,
- competition is distorted with insufficient proportion between larger and smaller banks and other financial actors not regulated,
- it is difficult for managers recruited outside banks to adapt to the regulatory requirements and all bank managers need to improve knowledge in the IT area.

The conclusion is that there is a major impact on banks from the regulation and that has not reduced and is still not understood where it leads. Other financial actors do not have the same regulation and there is a need for banks to adjust their business models to survive in the adaptable environment.

The results of the 2018 survey can have been somewhat affected by the increased number of recipients (+70%) and respondents (+56%), see Table 1 - Respondents by country and year. The increase is mainly of respondents in smaller banks. As it was the first year of going to other Nordic countries and they had a lower response rate than Sweden. 79 percent of the recipients and 89 percent of the respondents was in Sweden.

Table 1 - Respondents by country and year

Country	2018			2017			2016			2015		
	Received	Answer	Rate	Received	Answer	Rate	Received	Answer	Rate	Received	Answer	Rate
Sweden	457	169	37%	341	122	36%	301	125	42%	126	89	71%
Norway	66	12	18%									
Finland	20	1	5%									
Denmark	35	8	23%									
Total	578	190	33%	341	122	36%	301	125	42%	126	89	71%
Change YoY	70%	56%		13%	-2%		139%	40%				

In Appendix 2 – Respondents is a deeper description of the respondents made.

In the further analysis, is a large bank defined as a bank with more than SEK 500 billion in total assets, mid-sized bank with SEK 50 to 500 billion in total assets and smaller banks as banks with less than SEK 50 billion in total assets.

3.1. Regulation

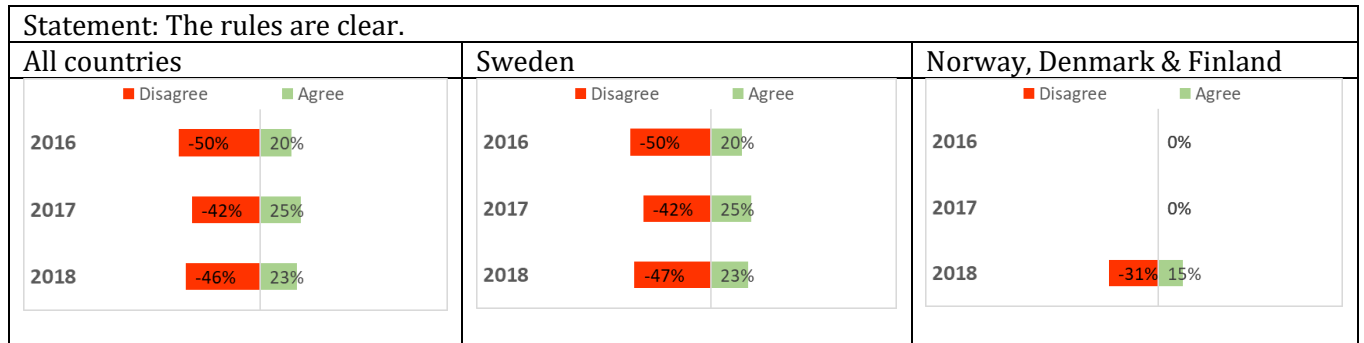
It is hard to get a grip of the regulation and the regulation should include a higher proportionality between large and small banks. After 10 years with increased regulations since the last financial crisis is it a failure that the industry still express uncertainty about how the regulators will follow up the practice of the regulations and instructions. We should be able to expect more from the regulators to avoid this situation.

3.1.1. Rules are still not clear

The respondents give in this year's survey a reduced agreement in the clarity of the regulatory framework, Figure 1 - The rules are clear. This indicates that the understanding between the regulators and banks in how the implementation of the extensive regulatory framework implemented in recent years is not on track. This is

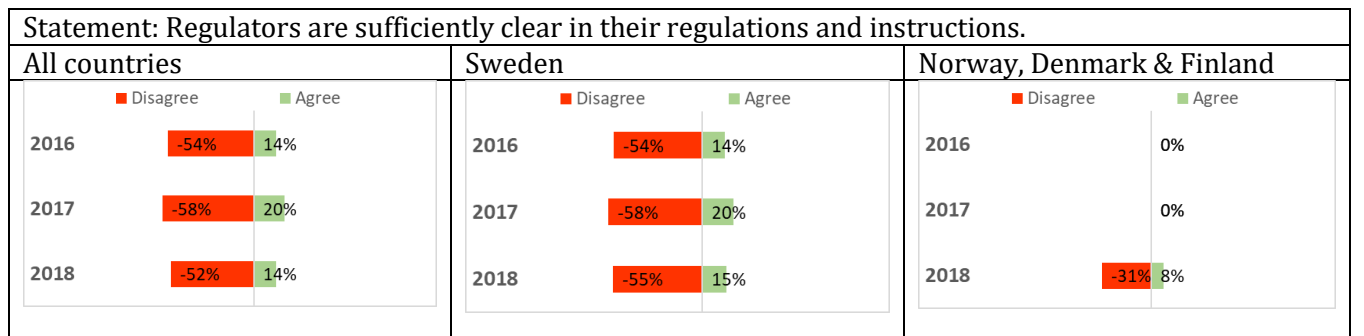
problematic as it means that it is very difficult for banks to know what is good enough. There are many complementary guidelines from Basel, EU and local authorities to be launched and implemented in the near future. The change in result can partly be explained by the higher number of respondents from smaller banks, but also in the group from large banks have the rate of disagreements increased in 2018.

Figure 1 - The rules are clear



In addition, the respondents have again become somewhat less in agreement with how clear the rules are, Figure 2 - Regulators are sufficiently clear.... After several years of increased regulation, where the significant major regulations came into force several years ago, the trend should have been a clear move towards agreeing with this statement. That's not the case and it can be interpreted as a failure in explaining the regulation and should be a unsatisfactory result for the regulators. Based on these surveys, the regulators should add more resources to clarify how they view the regulation and create a sense of predictability among the banks.

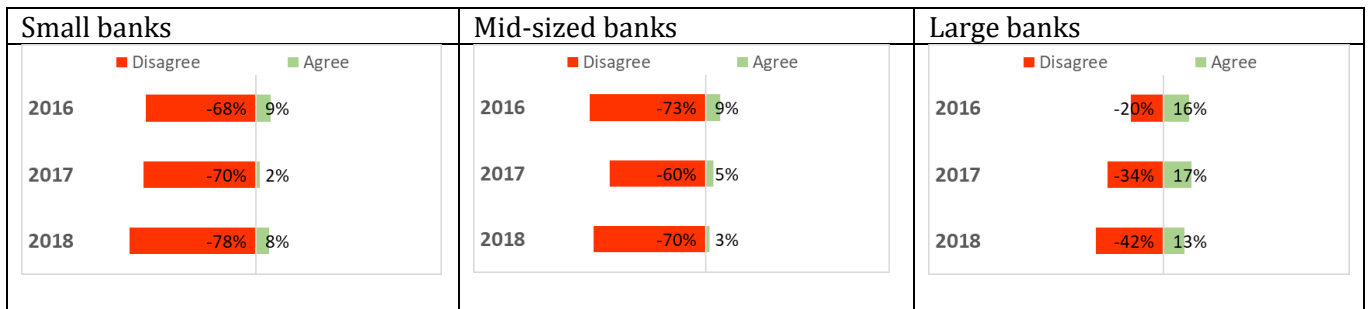
Figure 2 - Regulators are sufficiently clear...



3.1.2. Insufficient proportionality in the regulation

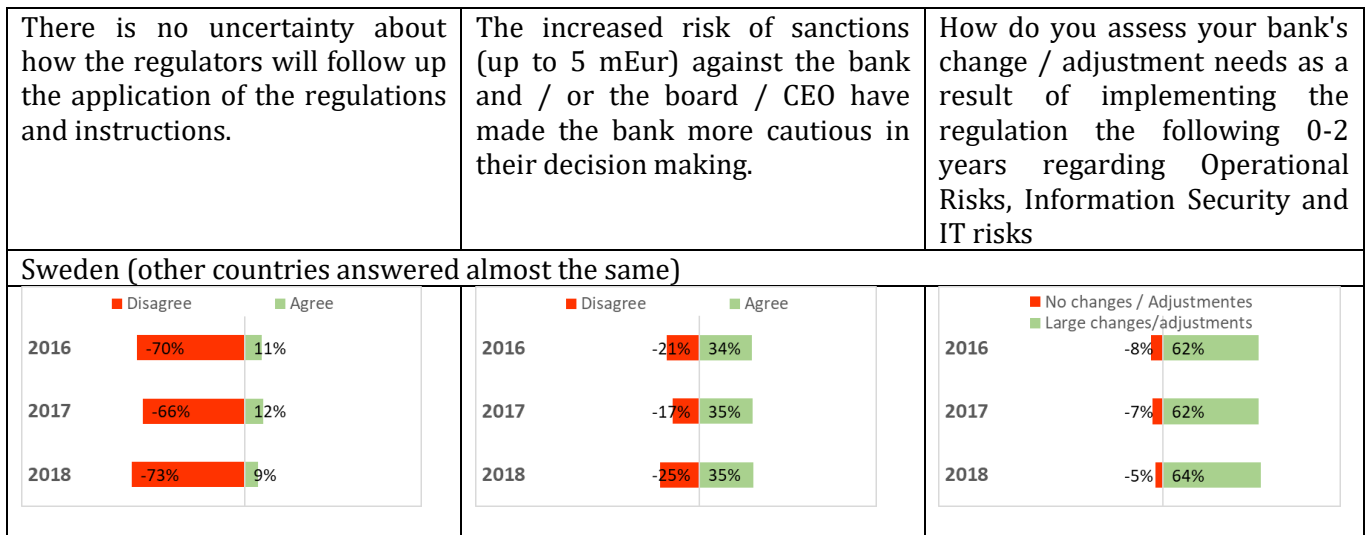
Bank employees are more disagreeing to that the proportionality is enough between smaller and larger banks, Figure 3 - Proportionality. The biggest change is surprisingly found among mid-sized and large banks, where a majority believes that the proportionality between smaller and larger banks is insufficient. The results can be interpreted as that the rules for smaller banks is far too comprehended and complicated. In that case, it depends on the perception of lack of clarity and that banks are uncertain about how the regulation should be applied.

Figure 3 - Proportionality



Other statements about the regulation are shown in Figure 4 - Other regulation statements below. The banks have a long way ahead as more large changes or adjustments for operational risks with focus on IT are still to come. This is in line with the respondents saying that the leadership within banking need to develop their IT competence. The answers are about the same regardless of bank size.

Figure 4 - Other regulation statements



3.2. Competition on the banking market

Banks will keep lobbying for more regulation for other financial actors as they don't see a level playing field today. Banks are threatened by more competition from other financial actors that have high focus and great capability to adjust and create good customer interfaces. This has happened in other industries and can be the fact for the banking industry as well, the adaptable survives.

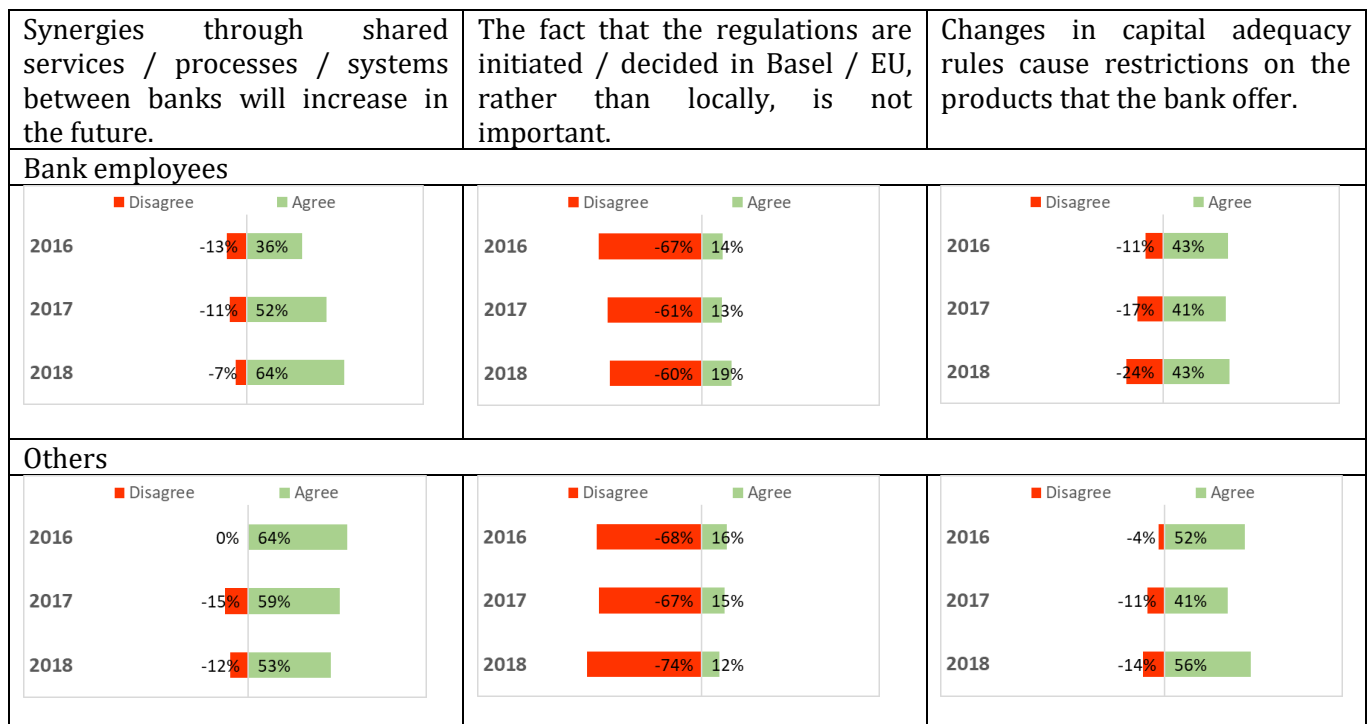
3.2.1. Banks teams up to meet competition

An increasing trend over the years is that more respondents now agree that synergies through shared services / processes / systems between banks will increase in the future, Figure 5 - Effects on banks. Other respondents (non-bank employees) are generally less agreeing than bank employees. This can be interpreted in two ways, either as banks underestimate what they are doing or that others do not have the transparency required to properly assess this. The previous explanation seems more likely than the latter as it is normal to overrate one's own capability when measured in surveys.

Others say that it has a large consequence that the regulation takes place at international level. They also say more than bank employees that the capital adequacy rules imply restrictions. The reasons for this can be that they see the difficulties in a broader perspective and also know how much help banks take from consultants in reading and understanding the regulation.

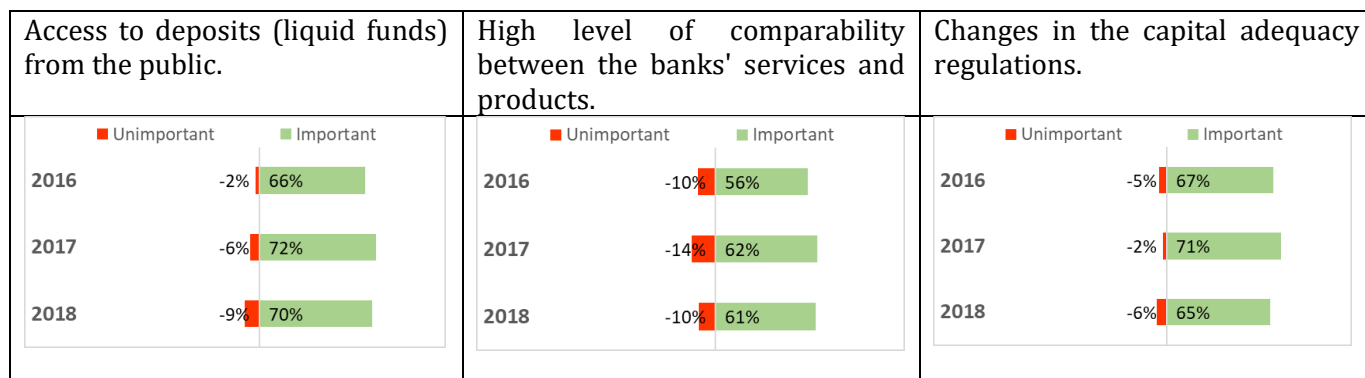
That more synergies between banks to be able to meet the increased competition is needed have been a conclusion in all yearly surveys.

Figure 5 - Effects on banks



The three most important issues for banks to monitor and handle related competition between banks are shown in Figure 6 - Effects on banks, importance.

Figure 6 - Effects on banks, importance



The analysis of the open response answers that 47 respondents gave on what they think will happen in banks within two years shows that:

1 / 3	Believe that there will be significantly more actors on the market but also that they will be clearly targeting a specific service
1 / 5	Believe that digitization will increase and affect banks' business models

In addition to the above, they also mentioned:

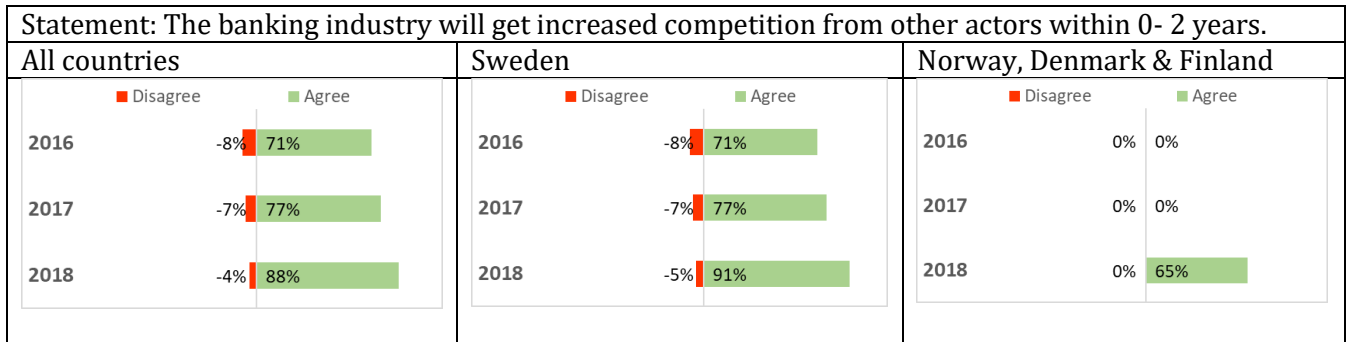
- Information is becoming more important and PSD2 will change the possibilities
- Several believe that there will occur different forms of partnership and collaborations
- The large banks will keep the end customers tight, making it difficult to change bank
- Some actors will become more of infrastructure providers and let others face the customers
- The oligopoly will be kept but with less profitability

One respondent from the group Others in Sweden comments on how competition in the banking market will develop with: *"Hard to assess now as Finansinspektionen in recent time has rejected 10 bank applications. If this continues, it will reduce the development and competition in an already oligopolistic market."*

3.2.2. Increased competition from other financial actors

In terms of competition between banks (Figure 7 - Increased competition), an increasing majority has stated that they expect increased competition, Sweden more than the other countries. Some open response answers indicate that they think it will take more than two years before real competition comes, but only one out of ten have not agreed to increased competition.

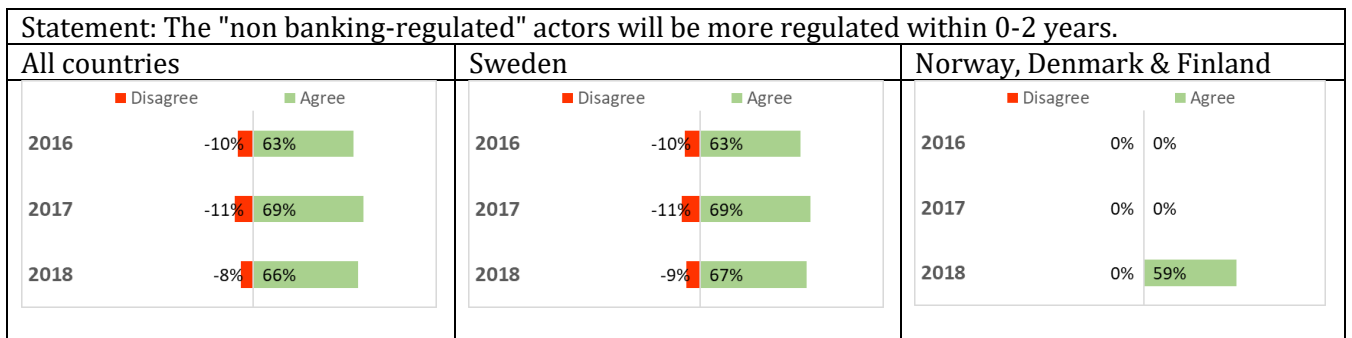
Figure 7 - Increased competition



... but regulation will inhibit competition ...

The threat from other financial actors is reduced as two thirds of the respondents believe they will be more regulated, Figure 8 - Other actors increased regulation. Banks expect more regulation for other financial actors and that this will weaken competition from them as more of their resources will be used to comply with regulations. Several respondents say that competition will be on more equal terms when these actors are regulated, they mean that it is not a fair competition as it is today.

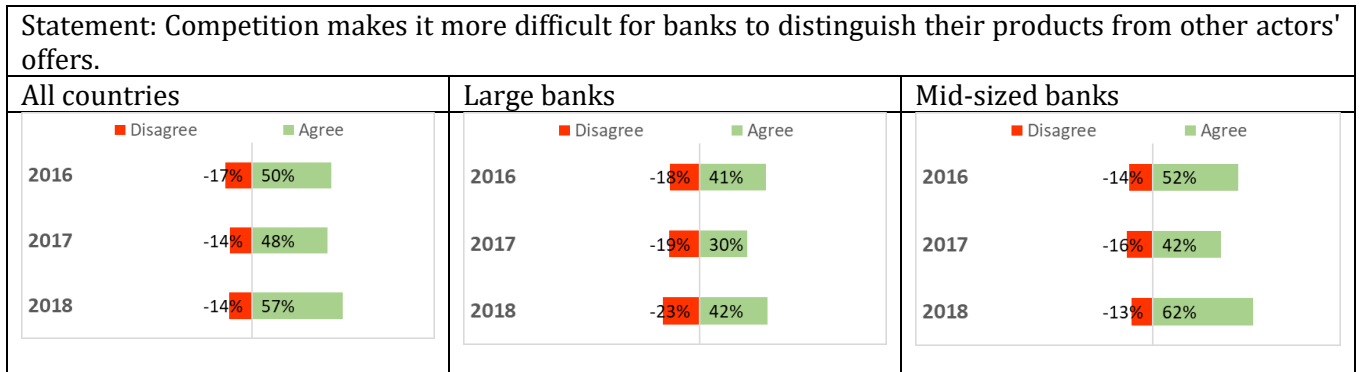
Figure 8 - Other actors increased regulation



... and difficulties in distinguish the products will increase competition.

A significant change from previous year's surveys is the perception of whether competition makes it more difficult to distinguish the bank's products / services, Figure 9 - Difficulty to distinguish products. The change is not, as one could think, among the small banks. The biggest change is with mid-sized banks, this could be a signal that they are wringed between small niche banks and the large universal banks.

Figure 9 - Difficulty to distinguish products



Banks are not as quick as they think in adapting to digital transformation

According to the group Others are bank respondents too optimistic in their view of banks capability to adapt to digital transformation, Figure 10 - Adapt to digital transformation. Other respondents also rate digital transformation as more important than banks do. Banks are as well, according to others, under estimating the capacity of other financial actors to meet customer needs,

Figure 11 - Other actors, development capacity. This together can be indicators that banks are taking the threat from other financial actors to easy and do not see the adjustments that is needed in their own organisation and customer offer.

Figure 10 - Adapt to digital transformation

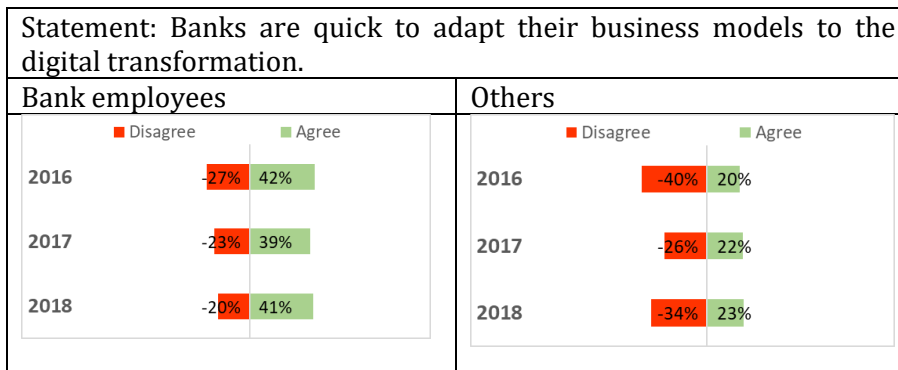
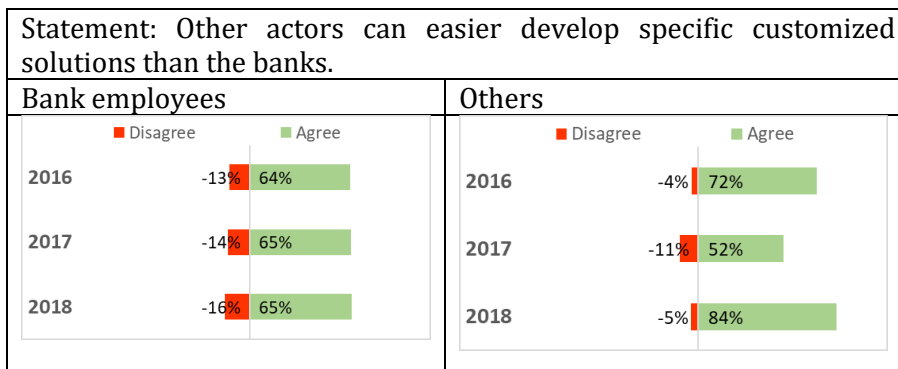


Figure 11 - Other actors, development capacity



Sixty-one respondents have submitted open response answers on how they estimate that competition from other financial actors will affect banks within two years. Respondents believe that competition will increase and that these actors will increase their market share, but from low levels.

Many respondents expect that the regulation to be developed so that the regulatory arbitrage that today is of benefit for these actors reduces or disappears. Today there are cases where banks' infrastructure is utilized without the possibility for banks to be paid for it. It is expected that the banks will be less profitable and that banks may be passed by other actors in customer-friendly services. Banks need to be more innovative and update their way of meeting customer needs.

*“They can take some market share, but I hope they will be regulated (level playing field)”
(Respondent from a large Swedish bank)*

3.3. Banks processes and leadership

Banks are overoptimistic regarding their capability to adjust their processes to the digital transformation. They have old systems and say that they do not have the resources needed to optimize their processes. It is a problem when customer behaviour is changing quickly. Banks need to work even more with their processes to be competitive in the future.

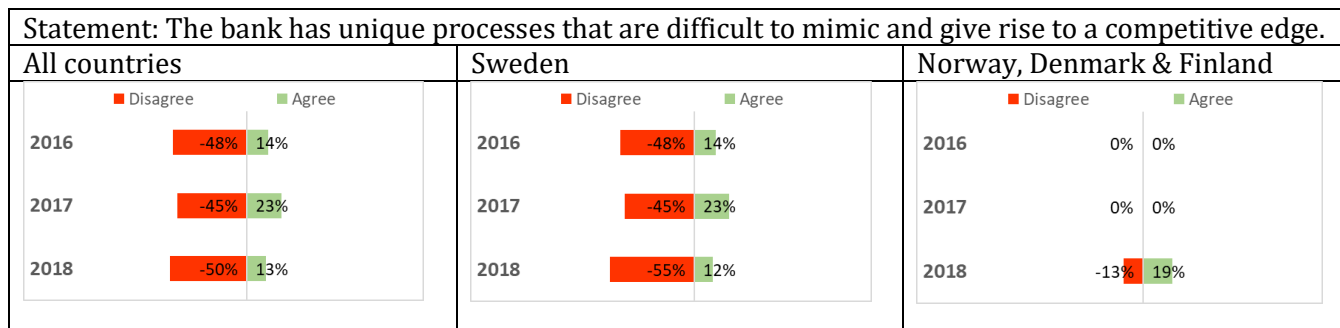
The regulation makes the “pond” of banking even smaller when it is hard for managers outside the banking industry to adapt to the regulation. Besides regulation does bank managers need more knowledge of IT and be more analytical.

3.3.1. Most important for efficient processes are the availability of resources

The most important questions around processes is this year the availability of resources to optimize the processes. Last year's number one is the second most important question this year; to achieve efficient and efficient end-to-end processes. These two have all years been the most important questions with 8 out of 10 respondents. Number three, with 7 out of 10 respondents, is clearer and more systematic processes. That the processes are unique and difficult to plagiarize is the least important issue for bank employees throughout the years. According to theory are processes that is unique and difficult to plagiarize an important competitive advantage that will support long-term profitability. Is that not the case in banking industry or have banks missed this, at least it is not important according to the respondents.

Awareness about the processes has increased even more this year, see Figure 12 - Unique processes. Last year's increased agreement has been turned to increasingly not agreeing with the statement.

Figure 12 - Unique processes

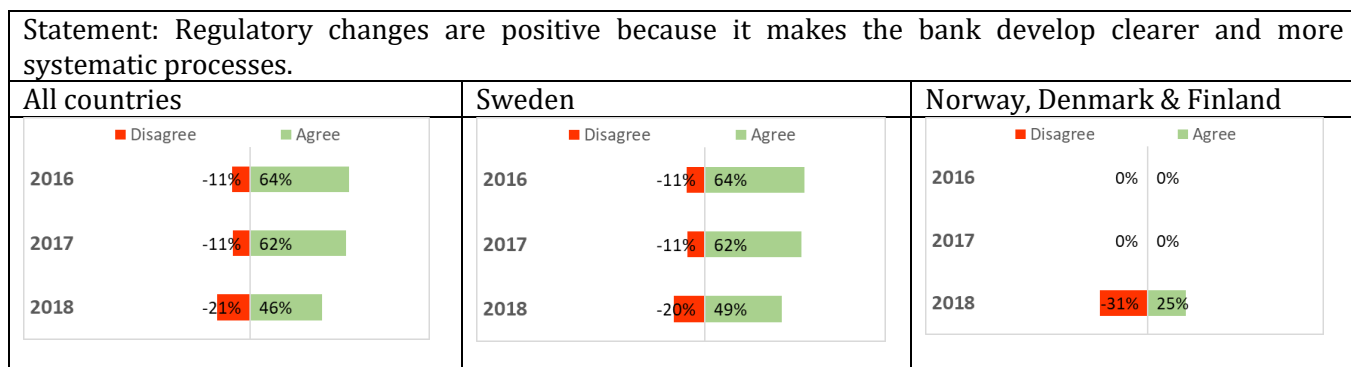


It is the respondents in medium-sized banks in Sweden that disagree the most with the statement of unique and difficult-plagued processes, 66 percent.

Banks are decreased agreeing that the regulation is positive for general order and systematic processes

Among the group of Others is the response rate approximately the same as the Bank employees, see Figure 13 – Regulatory change is positive for clear and systematic processes. Banking employees have now answer more like the others have. That can mean that the result level now is more accurate and banks not overstating how positive it is.

Figure 13 – Regulatory change is positive for clear and systematic processes

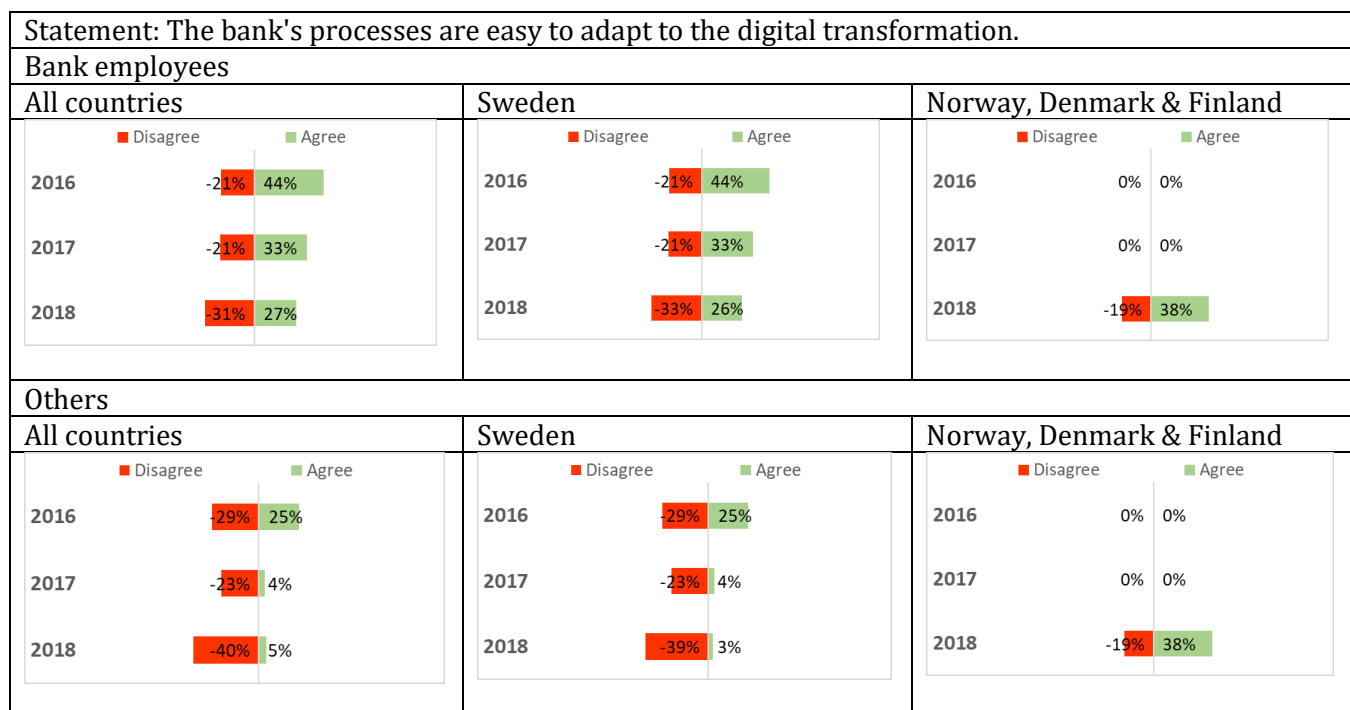


Banks are overoptimistic regards adaptability to digital transformation

There are fewer who consider that banks' processes are easy to adapt to the digital transformation, see Figure 14 - Processes are easy to adapt to the digital transformation. It is a deduction from an already low level but good as banks now is closer to what Others think. Along with the perception that other financial actors have easier to create customized solutions can this give the banks a mental disadvantage from start.

Others are significantly less agreeing that banks' processes are easy to adapt to the digital transformation than bank employees believe, even though it is only a quarter that believe that. It can be interpreted that banks are overoptimistic in how well they can adapt, which can lead to banks not putting in enough resources to create customized solutions. This in turn can lead to banks losing competitiveness against other financial actors.

Figure 14 - Processes are easy to adapt to the digital transformation



Every fifth of the 47 open response answers say that, like previous years, it's hard to know when done adequately based on the regulation. Some quotes on this topic are:

"It is an educational challenge in implementing a general neat and tidiness. One thing is to understand it, another thing is to take the time to document and monitor." (Small Swedish bank)

"The real elephant in the room is the AML regulations that are detailed and demanding next to the limit of what is unsound." (Small Swedish bank)

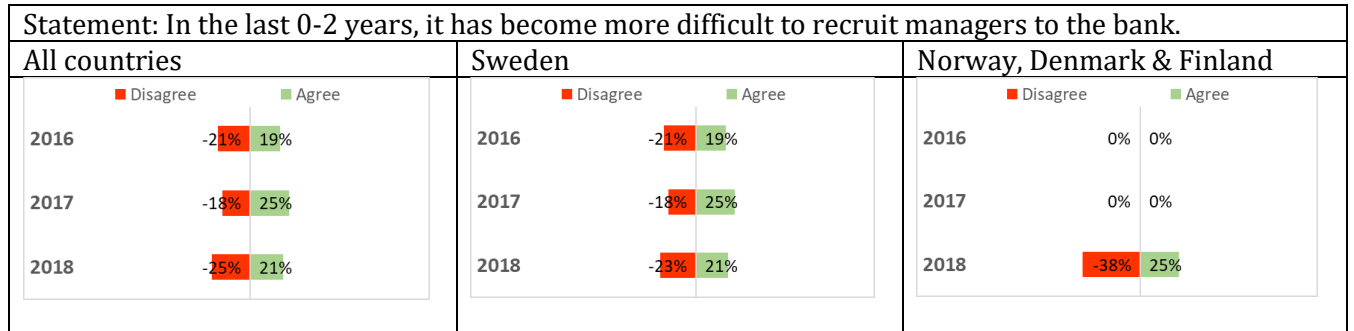
"The big challenge is how FI will apply in practice the rules currently rolling in from the EU after they have been implemented in national law (to the extent required). Predictability has fallen in recent years, and it is a problem in itself." (Large Swedish bank)

"The largest challenges are the unlevel playing field created by Norwegian non-compliance with EU capital adequacy regulation." (Mid-sized Norwegian bank)

3.3.2. Difficult for managers from the banking industry to adapt to regulatory requirements

This year survey regarding leadership shows that it is difficult to recruit manager to banks, see Figure 15. There is no clear trend, but the other countries than Sweden is disagreeing more than the Swedes.

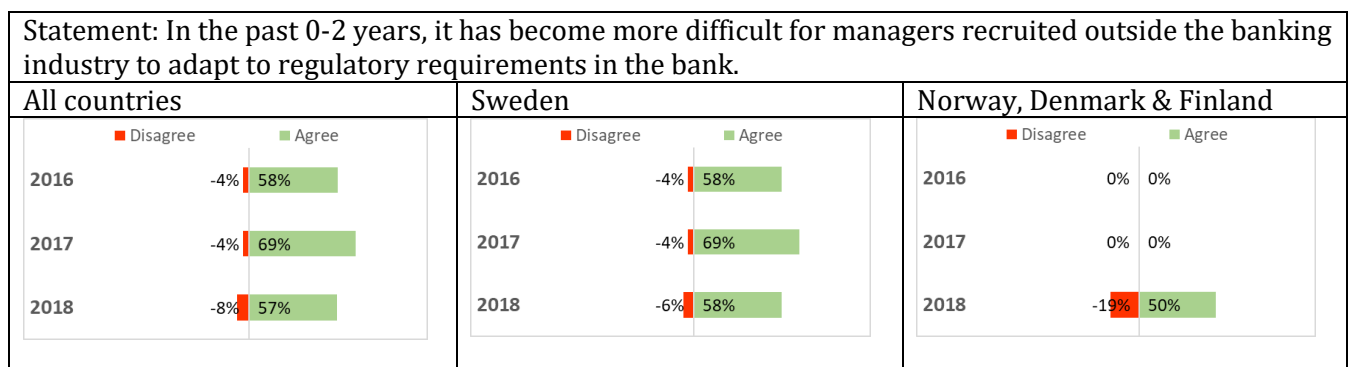
Figure 15 - More difficult to recruit managers



In particular, the inherent conflict between the post-bureaucratic leadership that is normative in Nordic business world and the bureaucratic or formal requirements of the regulations makes it extremely difficult for managers who are not "raised" within the banks. There are fewer respondents who consider it difficult for managers from the banking industry to adapt to regulatory requirements, see Figure 16 - More difficult for managers recruited outside the banks. However, there are still 6 out of 10 that agree with that statement.

There is basically no difference in the answers among those who have or don't have personnel responsibility. Those at management level agree to a higher extent that it has become more difficult for managers recruited from outside the banking industry to adapt to regulatory requirements. For 2018 it was just 3 percent units higher but for 2016 and 2017 it was 15 and 11 percent units higher.

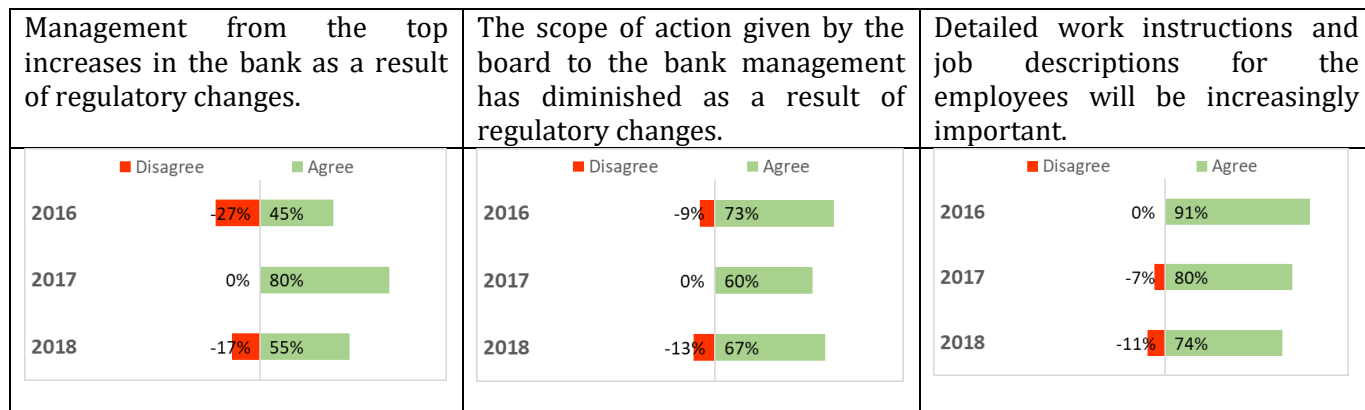
Figure 16 - More difficult for managers recruited outside the banks



The two most important leadership questions are also this year the development of managers and recruitments.

Fewer agree that management from the top increases as a result of the regulation, see Figure 17 - Leadership. There are no major changes in the answers to other issues in the leadership area, there are still many who agree that the scope of action is decreasing and that the working instructions are becoming increasingly important.

Figure 17 - Leadership



More than half of the 47 respondents who responded to the open response question regarding the future profile of bank managers consider that they need to have a big focus on the regulation. It is at the same level as in previous years. Like last year, IT knowledge is an area that are addressed. Other issues raised are the differences between managers and leaders, where leaders can be specialists and visionaries without being the formal managers. Four representative quotes from the answers:

" The manager who does not have the mind for neat and tidiness and also being reasonably disciplined will not have any future in the banking industry. No organization can no longer overlook with compliance issues." (Mid-sized Swedish bank)

" There is a danger that business development is hampered by the fact that regulatory competence may weigh heavier." (Small Swedish bank)

" Bank managers need to know a lot about IT / technology and IT development. Banks will be more and more like IT companies and less and less of the customer contact will take place at bank branch offices." (Large Swedish bank)

" High analytical competences and very broad knowledges of finance, economy, regulation and the law, risk management and finance. That are the key areas which should be mastered by managers." (Mid-sized Danish bank)

4. Conclusions

The effects of increased regulation on Nordic banks are still extensive. Banks puts a lot of efforts and interest in trying to get a grip of the detailed regulation. The high response rate in this survey and the large number of open responses are indicators on that. With a high level of uncertainty in how the regulators will follow up the bank is it expected that banks focus on avoiding compliance risks and remarks instead of how to meet the customers in a new environment. This will reduce their capability to compete.

It is still difficult to understand what are sufficiently implemented and applied regulations, which affect banks' allocation of resources and the ability to adapt to increased competition. Banks continue to develop their processes and leadership, but it takes time and they is not so adaptable to the digital changes as they wish to be.

It is a failure and unsatisfactory result for the regulators that there is so much uncertainty about the regulation. It is not easy to find a solution for that, but it is questioned if the high degree of details in the regulation is increasing financial stability or if it takes away the responsibility from banks. It gives banks an opportunity to say "don't blame us, we just did what you told us to do" both if there is a new financial crisis driven by banks or that the industry is totally changed due to new customer behavior.

Adaptability to regulation increases and the unclarity decreases somewhat but not much which is worrying for how the banks should know that they have done enough. This while seeing other financial actors putting a lot of power on IT development, new business models and that they take a larger and larger portion of the revenues.

The fact that competition will increase is still a very clear trend, but how to handle it is not clear and that can indicate a "Myopia" risk, banks do not adapt to customers' changed behaviour at a sufficient pace to continue to be profitable and competitive.

Banks continue to improve knowledge and adaptation to process management but have a bit left until it is an obvious part of the business, development and governance model. Based on the theories of competitive advantages and capabilities there is a risk that banks that do not focus on this, as other industries have done over a century, will come out as losers in the new world.

Leadership continues to evolve and balances between the formalist and post-bureaucratic leadership styles. The problems with recruiting managers from outside the banking industry have fallen slightly but still is it hard to get new people in to the industry. Managers and leaders in banks need to be better at IT besides higher regulatory knowledge. The tolerance for compliance issues has decreased.

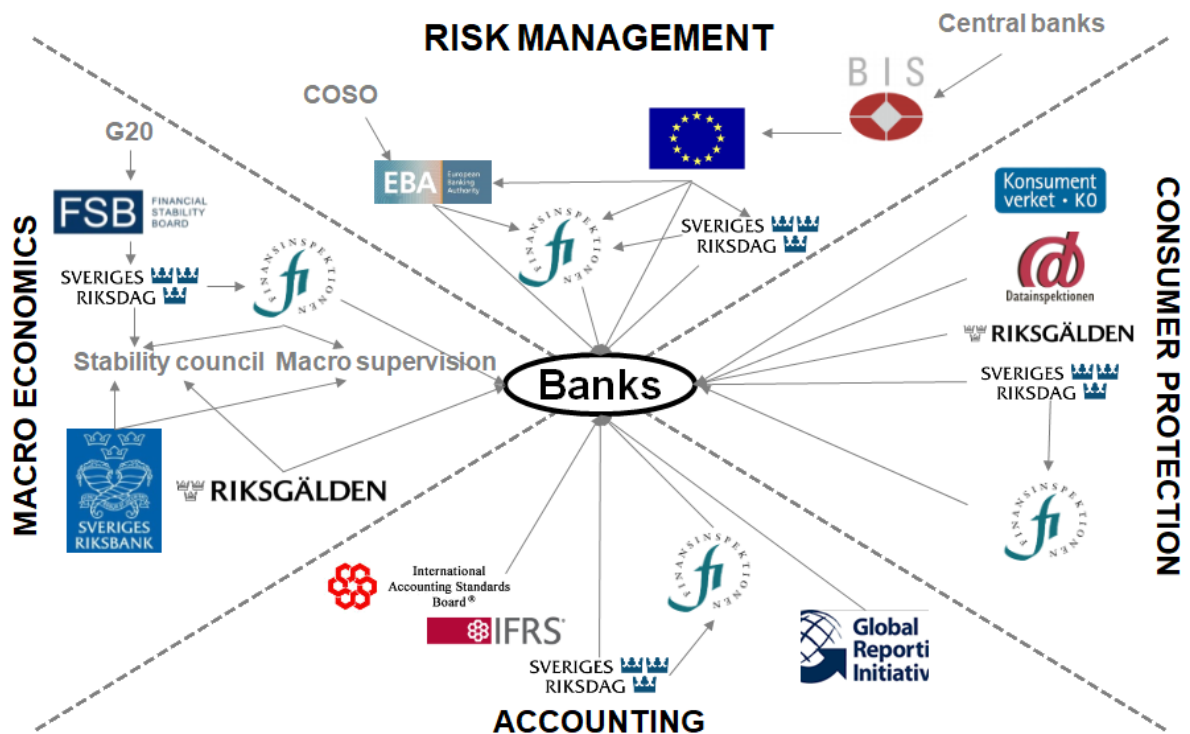
The title of the thesis and the reports, the adaptable survives, is as relevant now as it was three years ago.

Appendix 1 – The bank regulation

Banks are regulated to protect some stakeholders in particular; depositors and the state. Four main areas of regulation have been identified from the different perspectives of stakeholders; 1) Risk management, 2) Macroeconomics, 3) Accounting and 4) Consumer protection.

The bank regulation was in deep described in the thesis “The adaptable survives” (2015). An update has been made of Figure 18 – Swedish regulators.

Figure 18 – Swedish regulators



The different regulators above are here shortly described together with a reference to their respective homepage for more information.

1) Risk management

Basel committee (bis.org/bcbs)

Provides international standards for bank regulation, focus on large international banks. For the EU is Basel committee a sort of advisor, the regulation is implemented via EU directives and/or regulations.

COSO - The Committee of Sponsoring Organizations of the Treadway Commission (coso.org)

Provides framework and guidelines in the area of ERM (Enterprise Risk Management), internal control and fraud.

EU (ec.europa.eu/finance/bank)

Implementing the Basel Committee's standards through regulations (direct acting) and directives (through national implementation).

EBA – European Banking Authority (eba.europa.eu)

Issues technical standards and guidelines based on EU regulations and directives. EBA is the interpreting authority of the Common Rule Book for Europe.

Finansinspektionen (fi.se)

Swedish financial supervisory authority (SFSA) issues regulations, guidelines, general advice and supervises Swedish banks. In major European banks, the ECB, European Central Bank, is the supervisor, (www.ecb.europa.eu).

Sveriges riksdag (riksdagen.se)

Decides on legislation for implementing EU directives as well as specific Swedish laws including mandate to Swedish authorities.

2) Macroeconomics

FSB (financialstabilityboard.org) / G20 (g20.org)

Created by the G20 Group, the twenty richest countries in the world, and shall identify systemic risks in the financial sector, develop policies and monitor the policy implementation in order to reduce systemic risks.

Riksbanken (riksbank.se)

Sweden's central bank is part of the Stability Council and has the task of being responsible for monetary policy with the aim of maintaining a fixed monetary value as well as promoting a safe and efficient payment system. This means that all payments between different banks in Sweden will be thru the Riksbank.

Riksgälden (riksgalden.se)

The Swedish national debt office handles consumer protection in the form of deposit guarantees for the state and the recovery plans within the crisis management.

3) Accounting

GRI – Global reporting initiative (globalreporting.org)

Provides global standards for sustainability reporting.

IFRS/IASB (ifrs.org)

Provides international standards for financial reporting. These standards are direct acting on banks as they must have IFRS as accounting standard.

4) Consumer protection

Datainspektionen (datainspektionen.se)

The Swedish Data Protection Authority is supervising the banks data protection and dept collection.

Konsumentverket (konsumentverket.se)

Swedish Consumer Agency executes supervision of the banks' communication and relationship with consumers, such as its marketing and contractual terms.

Appendix 2 – Respondents

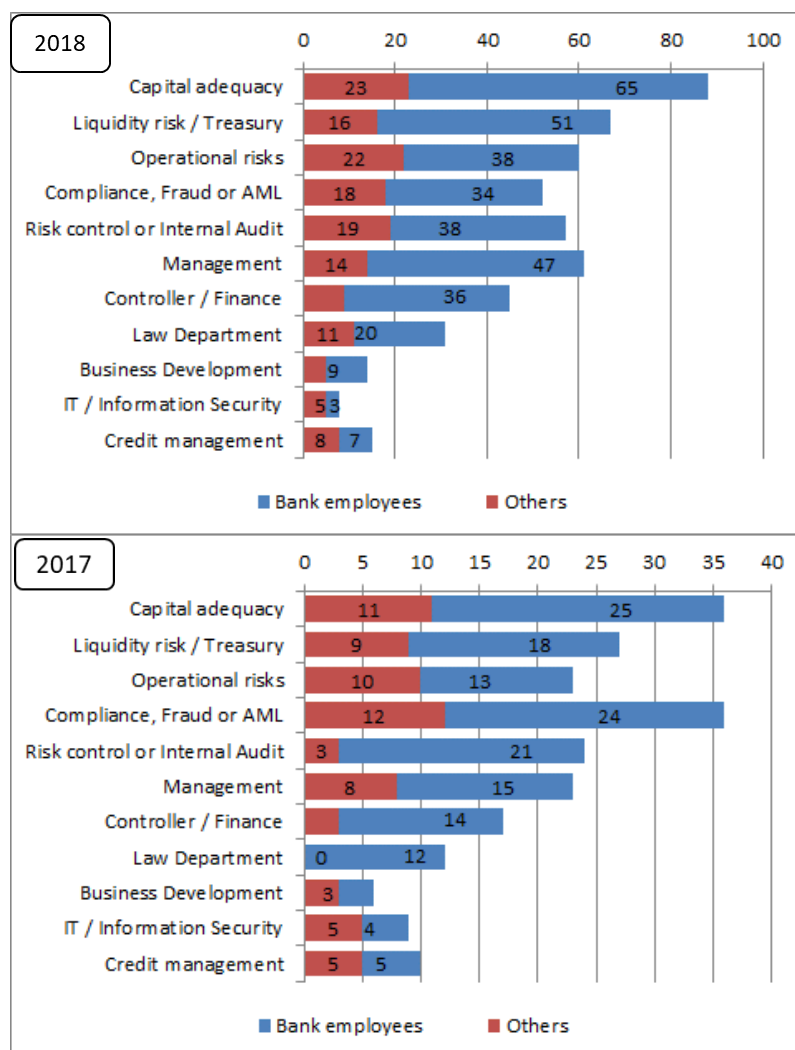
Most of the respondents, 77 percent, is found in banks, see Table 2 - Size of bank and category of respondent. The distribution has an overweight from smaller banks, with large banks being defined as more than SEK 500 billion in total assets, mid-sized banks SEK 50 - 500 billion and small banks have less than SEK 50 billion in total assets.

Table 2 - Size of bank and category of respondent

Category - respondent	No.	Share	Very large bank		Large bank		Small bank		Other
			No.	Share	No.	Share	No.	Share	
Employees in banks	146	77%	31	21%	39	27%	76	52%	
Others	44	23%							44 100%
Total	190	100%	31	16%	39	21%	76	40%	44 23%
Survey 2017	122		29	24%	20	16%	44	36%	29 24%
Survey 2016	125		27	22%	22	18%	49	39%	27 22%
Survey 2015	89		23	26%	13	15%	25	28%	25 28%

Respondents have identified which areas they are active in, where several responses have been possible, see Figure 19 - Area of activity.

Figure 19 - Area of activity



In general, respondents have been active in banking, finance and insurance industry for more than 10 years, half have personnel responsibility and almost half are member in any committee of the bankers organisations, see Table 3 - Time of activity in the industry, Personnel responsibility or committee member.

Table 3 - Time of activity in the industry, Personnel responsibility or committee member

Time in the industry	More than 20 years		15 to 20 years		10 to 15 years		5 to 10 years		2 to 5 years		< 2 years	
Employees in banks	146	56 38%	30 21%	34 23%	23 16%	2 1%	1 1%					
Others	44	18 41%	7 16%	9 20%	6 14%	1 2%	3 7%					
Total	190	74 39%	37 19%	43 23%	29 15%	3 2%	4 2%					
<i>Survey 2017</i>	122	46 38%	28 23%	24 20%	19 16%	4 3%	1 1%					
<i>Survey 2016</i>	125	47 38%	28 22%	22 18%	20 16%	7 6%	1 1%					
<i>Survey 2015</i>	89	n/a	n/a	66 74%	17 19%	5 6%	1 1%					

Time at regulator	More than 20 years		15 to 20 years		10 to 15 years		5 to 10 years		2 to 5 years		< 2 years		No time	
Employees in banks	146	9 6%	10 7%	13 9%	14 10%	10 7%	13 9%	77 53%						
Others	44	7 16%	1 2%	5 11%	5 11%	4 9%	7 16%	15 34%						
Total	190	16 8%	11 6%	18 9%	19 10%	14 7%	20 11%	92 48%						

Personnel responsibility	Yes		Yes, before		No	
Employees in banks	146	84 58%	24 16%	38 26%		
Others	44	15 34%	12 27%	17 39%		
Total	190	99 52%	36 19%	55 29%		
<i>Survey 2017</i>	121	61 50%		60 50%		
<i>Survey 2016</i>	124	61 49%		63 51%		
<i>Survey 2015</i>	86	38 44%		48 56%		

Committee member	Yes		Yes, before		No	
Employees in banks	146	50 34%	12 8%	84 58%		
<i>Survey 2017</i>	93	42 45%		51 55%		
<i>Survey 2016</i>	98	46 47%		52 53%		

The regulatory knowledge is generally assessed out of position and area of responsibility, both generally and in three specific areas: Governance, Risk and Control³, Operational Risks, Information Security and IT⁴, and Capital Coverage and Liquidity (CRR⁵). The assessed level of knowledge is lowest about Operational Risks, Information Security and IT, see Table 4 - Regulatory knowledge.

Table 4 - Regulatory knowledge

Regulatory knowledge	Very limited		Very good		2017	2016	2015	
Regulation in general	1 1%	4 2%	34 18%	85 45%	65 34%	32%	22%	27%
Governance, Risk, control	2 1%	15 8%	31 17%	67 36%	72 39%	36%	40%	34%
Operational risk, IT ...	8 4%	31 16%	59 31%	51 27%	40 21%	18%	23%	24%
Capital adequacy	9 5%	18 9%	42 22%	56 29%	65 34%	27%	24%	36%
Liquidity	11 6%	31 16%	42 22%	66 35%	39 21%	27%	24%	36%

³ Sweden: Finansinspektionens föreskrift FFFS 2014:1

⁴ Sweden: Finansinspektionens föreskrifter FFFS 2014:4 och 2014:5

⁵ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions