# Bank taxes – taxes on balance sheets
## experiences from Sweden

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# The Advantages of a Stability Fund and Stability Fee

1. The financial sector contribute to maintaining financial stability – protects tax payers’ money
2. Cost of excessive risk-taking is internalised
3. Increased acceptance when the banks’ money constitutes the first line of defence
4. Ex ante Stability Fee combined with a Stability Fund is not pro-cyclical
5. Can be implemented without global participation (in contrast to e.g. FTT)

# Why the Swedish Stability Fund was created

- **The financing of measures to counteract the risk of serious disturbance to the financial system in Sweden**
- **A stability framework with three components was proposed and approved by the Parliament after the collapse of Lehman Brothers**
  - A state guarantee programme
  - Stability Fund
  - A new act – the Support Act

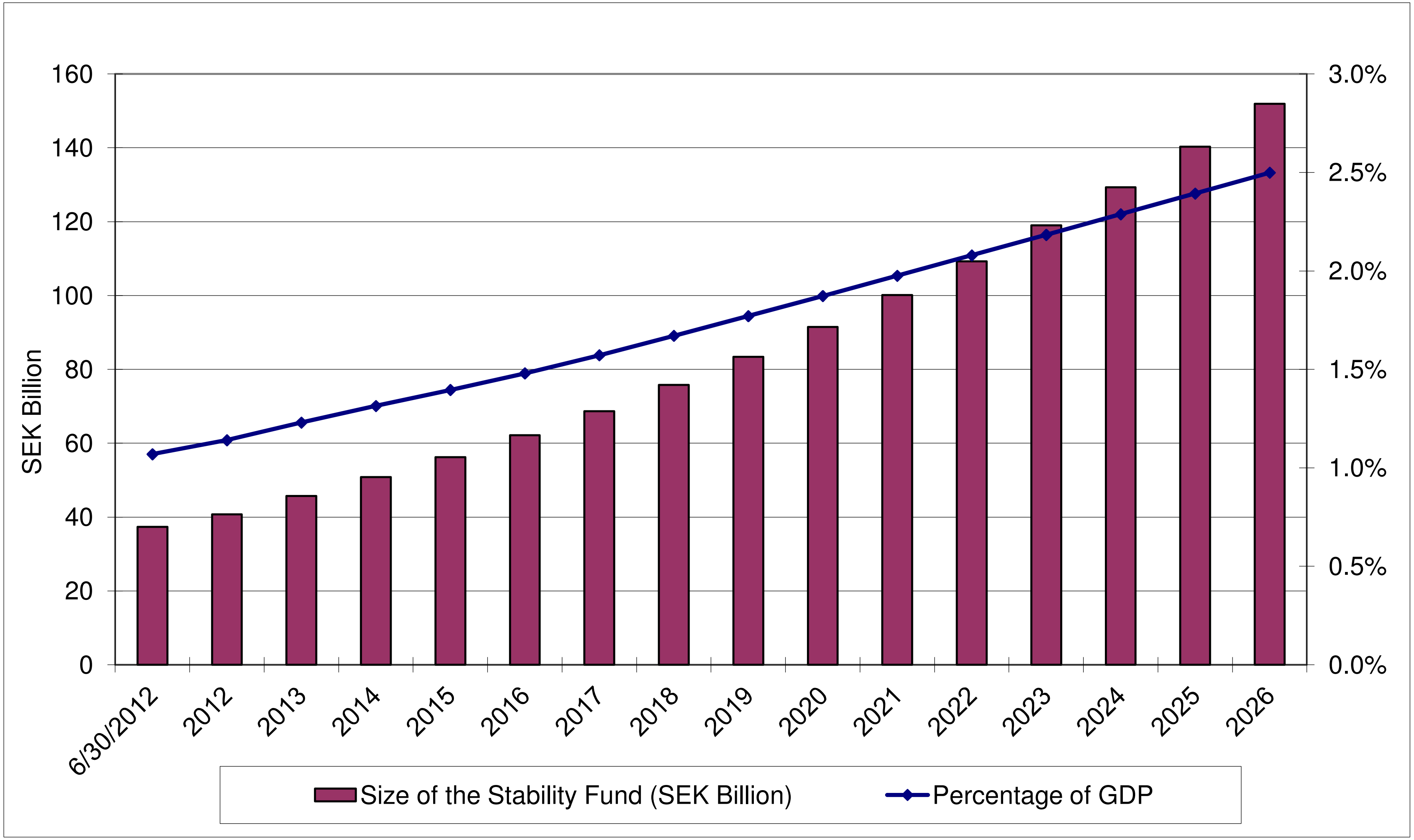
# The Stability Funds target and construction – account at SNDO

- Targeted to reach on average 2.5 per cent of GDP in 15 years
- 15 Bn SEK (0,5 per cent of GDP) initially from the government budget
- The rest of the financing carried by the industry
- Interest bearing account at the National Debt Office (SNDO)
- Reduce the government´s borrowing needs and the government debt – was considered as a more efficient administration than an “actual fund”
- The Stability Fund has an unlimited credit line at the SNDO

# The balance of the Stability Fund

| *June 30, 2012* | |
|---|---|
| **Transaktion** | **SEK Billion** |
| Initially grant from state budget | 15,0 |
| Guaranttee fees | 5,6 |
| Stability fees | 2,6 |
| CIB and MM | 0,3 |
| Nordea, new share issue | -5,6 |
| Nordea, dividend | 2,1 |
| Interest on savings | 0,6 |
| Administration fee | -0,1 |
| **Balance without Nordea shares** | **20,5** |
| **Balance (Nordea shares book value)** | **26,1** |
| **Balance (Nordea shares market value)** | **37,4** |

# The Stability Fund – forecast



# The Stability Fee

- Introduced in 2009
- All banks and credit institutions pay
- The (annual) fee is 0.036 per cent of certain parts of the institutions liabilities according to an approved balance sheet
- This fee was halved for 2009 and 2010
- SNDO is responsible for calculating and deciding the fee för individual institutions

# The National Audit Office's recommendations to the Government

The Government should:

- submit a proposal that targets the size of the Stability Fund in a way that reflects the risk level in the banking system better than the current percentage-of-GDP approach.
- explore whether the assets (and future revenues) received can be invested in a manner that does not involve paying off the central government debt.
- the Stability Fund should have a positive (net) effect on central government net wealth **->** disregard the impact on net lending (and hence the surplus target) when deciding on reforms.

# Ongoing work

- **A committee is preparing changes to the financial crisis framework and regulation as regards:**
  - system of regulation (incl. framework for bank recovery and resolution)
  - allocation of responsibility between authorities (incl. macroprudential set up)
  - differentiated stability fees  and target design
- **MoF** is analyzing the construction of the Stability Fund (actual fund vs SNDO account) as well as its impact on the surplus target going forward