



Instructions to the MFI form

NOVEMBER/DECEMBER 2014

Reporting on financial market statistics from Monetary Financial Institutions (MFIs) is done in the *MFI form*. General instructions about the type of information to be submitted in the MFI form is found in RBFS 2014:2. This document provides complementary instructions, thought to be a support for respondents.



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APPENDIX 3 – Example of documentary credits

1 Valuation principles for securities

The balance sheet that is prepared in the statistics report is a *special balance sheet*. The balance sheet is special both because it includes a currency breakdown and because principles that deviate from current accounting practice is applied.

1.1 Book value

The term "book value" refers in the MFI form to the value arrived at when following the instructions in RBFS 2014:2 for the special balance sheet's items.

As a result, "book value" in the statistics report does not have to correspond exactly to "book value" in the internal and external accounting.

1.2 Valuation of loans, deposits and borrowing

Loans, deposits and borrowing will be reported valued at the nominal value, which is a deviation from FFFS 2008:25. Deposits and borrowing here means other deposits and borrowing than issuance of negotiable or transferable securities, i.e. the specifications referred to are T3 and S1 and corresponding specifications.

Nominal value is the capital sum that a debtor is under contract liable to pay back to the creditor. Any eventual difference between assets and liabilities that can arise due to this regulation is reported under other assets, account adjustments, if under assets or other liabilities, account adjustments, if under liabilities. The items' account adjustments are treated further in section 9.

1.3 Accrued interest

Accrued interest is reported under Deferred costs and accrued incomes (Spec T8) or Accrued costs and deferred incomes (Spec S4). Accrued interest should not be reported together with the main instrument, which is a deviation from FFFS 2008:25.

2 Classification between different balance sheet items

The directions stated in RBFS 2014:2 apply with regard to the classification of balance sheet items as do reference to Financial Supervisory Authority guidelines and general advice about annual accounts, credit institutions and securities companies (FFFS 2008:25).

Note that the regulations for "Deviations from balance sheet's layout form according to FFFS 2008:25, *Chapt. 3, 2§ and ÅRKL (1995:1559)* do not apply to the MFI form.

The criteria for how an instrument is to be classified on the MFI form depend on its properties. The aim of such holdings is not relevant for the report, i.e. whether an instrument is to be held for the short term or long term. For example, bonds and other debt securities should not be reported as loans in the MFI form even though the aim of such holdings is to be kept until maturity.

FFFS 2008:25 (Appendices 1, 4 & 5§§ and 6§) states that the primary criteria demarcating between debt securities and lending is that debt securities are claims which are negotiable and/or transferable. This is the criteria to be applied in the MFI form for distinguishing debt securities from lending.

2.1 Negative balance

Negative balances in the deposits and lending accounts in the MFI form will be moved from deposits (liabilities) to lending (assets) and vice versa. This should apply to all individual accounts with negative balances.

Negative balances in on demand-deposits are listed as assets under the transaction account item with credit and revolving loans. Similarly, negative balances in lending accounts shall be moved to a corresponding item under deposits on the liabilities' side.

Regarding the difference arising when deposits and lending are valued at nominal amounts for Monetary Finance Institutions (MFI), see section 9, *Account adjustments*.

3 Handling balances with branch offices

The parent company includes branch office activities in case of branch offices abroad in the MFI form. Balances with branch offices shall be reported in terms of the specifications of the transactions (Branch balances Assets, Branch balances Liabilities, Branch balances Currency, Branch balances Country and Revaluation Balances branches) but are not included under other items.

Branch offices submit their own joint and consolidated MFI form without balances with one another or the parent company. Thus, the branch office will not report anything for the branch balances specifications. The difference between assets and liabilities that can arise for branch offices due to branch balances in the MFI form are called balancing residual items from branches and are reported by the branch office as the net on special balance, under assets or liabilities. Reporting on the special branch office form and balances are used in the statistical transmissions where activities within Swedish territory must be defined.

Example:

The branch office accounts for SEK 200 million in assets and SEK 100 million in liabilities on the balance sheet total of the parent company. The parent

company has balances with the branch office for SEK 150 million (e.g. loans from parent company to branch office) and SEK 50 million in liabilities (e.g. parent company deposits from the branch office). The branch office difference thus becomes SEK 100 million in liabilities, see illustration below.

Example balances with branch office, SEK million

The figure consists of three bar charts, each representing a different variance component. Each chart has two bars, labeled 'A' and 'L'.

- Parent Special Balance:** The 'A' bar has a total height of 1000, with a blue segment of 200 at the bottom. The 'L' bar has a total height of 1000, with a blue segment of 100 at the bottom.
- Parent MH Spec.:** The 'A' bar has a total height of 150, with a yellow segment of 150 at the bottom. The 'L' bar has a total height of 50, with a yellow segment of 50 at the bottom.
- Branch Special Balance:** The 'A' bar has a total height of 200, with a blue segment of 200 at the bottom. The 'L' bar has a total height of 200, with a yellow segment of 100 at the bottom and a blue segment of 100 at the top. The yellow segment is labeled 'Balancing residual item from branches'.

Item no. 105042 Bonds and other debt securities on Branch balances Assets (MH Tillgångar) refers to holdings by the parent company of securities issued by the branch office. Item no. 203042 Debt securities issued on Branch balances Liabilities (MH Skulder) refers the branch office holdings of securities issued by the parent company.

4 Breakdown of countries and currencies on the MFI form

4.1 Country groups

Sweden
EMU countries
Other EU countries
Other countries

4.2 Currency groups

Swedish kronor
Euro¹
Other EU currencies
Other foreign currencies

4.3 Individual countries and currencies in the groups

The EU countries' Country and Currency Group(s) as of January 31, 2014 appear as follows:

¹ *Euro & EMU-currencies* for Spec Särskild balans och Spec T1

*Country group "EMU countries" and currency group "Euro"*¹

Country	Country code	Currency code
Austria	AT	EUR
Belgium	BE	EUR
Cyprus	CY	EUR
Estonia	EE	EUR
Finland	FI	EUR
France	FR	EUR
Germany	DE	EUR
Greece	GR	EUR
Ireland	IE	EUR
Italy	IT	EUR
Luxembourg	LU	EUR
Latvia	LV	EUR
Malta	MT	EUR
Netherlands	NL	EUR
Portugal	PT	EUR
Slovakia	SK	EUR
Slovenia	SI	EUR
Spain	ES	EUR

Country group "Other EU countries" and currency group "Other EU currencies"

Country	Country code	Currency code
Bulgaria	BG	BGN
Czech Republic	CZ	CZK
Denmark	DK	DKK
Croatia	HR	HRK
Hungary	HU	HUF
Lithuania	LT	LTL
Poland	PL	PLN
Romania	RO	RON
United Kingdom	GB	GBP

The country group "Other countries" and the currency group "Other foreign currencies" includes all other countries and currencies.

5 Breakdown by counterpart

5.1 Sectors in Sweden

Statistics Sweden's Business Register can be used by respondents as a support sector classification of Swedish counterparts. To get access to the Business Register call Statistics Sweden at +46 (0)19-17 65 80 or e-mail scbforetag@scb.se. The different sectors are described in RBFS 2014:2. The Swedish Central bank (Sveriges Riksbank) provides a list of Monetary Finance Institutions.

There is also a description of the different sectors in Statistics Sweden's "Standard for institutional divisions 2014 (MIS 2014:1)".

It is worth noting that the Seventh Swedish National Pension Fund (Sjunde AP-fonden) is classified in the sector Financial auxiliaries [126100] while the other general pension funds (AP-funds) belong to the Social insurance funds sector [131400].

The bracketed numbers accompanying the sectors are from the Statistics Sweden Business Register.

Swedish MFIs

Sveriges Riksbank (The Swedish Central bank) [121100]
Banks (except the Central bank) [122100]
Foreign banks' branches in Sweden [122200]
Housing credit institutions [122300]
Other monetary credit market corporations [122400]
Money market funds [123000]
Monetary security and derivative dealers [122500]
Other monetary financial institutions [122900]

Swedish non-MFIs

Public sector

Swedish National Debt Office [131120]
Swedish local governments
Municipalities (Primary local government) [131311, 131312, 131313]
County Council (Secondary local government) [131321, 131322, 131323]
Social security funds [131400]
Central government excluding the Swedish National Debt Office [131110, 131190, 131200]

Other counterparties

Non-monetary investment funds [124000]
Non-monetary security and derivative dealers [125200]
Insurance corporations [128100, 128200, 128300]
Pension funds [129100, 129200, 129300, 129400]
Financial Vehicle Corporations (FVC) [125100]
Other financial corporations, non-MFI
Financial auxiliaries [126100]
Non-profit institutions serving financial corporations [126200]
Investment companies [125400]
Financial corporations engaged in lending [125300]
Captive financial institutions and money lenders [127000]
Other Financial intermediaries [125900]
Non-financial corporate sector [111000, 112000, 113000, 114000]
Local government-owned [Sector 111000 and 114000 with owner category 20 and 30]
Tenant-owner associations [Sector 111000 and legal form 53]
Other non-financial corporations
Households, etc.
Entrepreneurial households (sole proprietors) [141000, 142000]
Other households
Non-profit institutions serving households [151000, 152100, 152200]

When the form contains *Other financial corporations, non-MFI* (for Swedish counterparty) that deviate from the above arrangement, the differences are specified in notes on the given specification.

The concept "households" in the questionnaire refers to entrepreneurial households (sole proprietors/unincorporated partnerships) and other households.

In Sweden Central Counterparties (CCP) are included in both the financial auxiliaries sector and other financial intermediaries sector. The company NASDAQ OMX Stockholm AB (556420-8394) are classified as a financial auxiliary [126100] while NASDAQ OMX Clearing AB (556383-9058) is classified as an other financial intermediaries. For classification of CCP and Financial Vehicle Corporations (FVC) see sections 5.3 and 5.4.

In the sector Non-monetary investment funds should, apart from non-monetary investment funds, also include alternative investment funds. The sector contains for example open-ended investment funds (equity), interest funds, investment funds investing other funds (fund of funds), exchange traded funds (ETF) and hedge funds.

The branch offices of Swedish companies are classified as counterparts abroad.

Other households can be distinguished as those personal identity numbers that are not in the Business Register. Similarly, even people without Swedish personal identity numbers are counted as Swedish households if they are actually registered in Sweden.

5.2 Sectors abroad

Statistics Sweden's Business Register has no information about foreign counterparts. Contact Statistics Sweden personnel for corroboration in doubtful cases.

ECB publishes a list of MFIs in the EU. A link to this list is available at Statistics Sweden's website for respondents, <http://www.scb.se/fms> under, "Se även"/ "Balansräkningsstatistik för monetära finansinstitut".

"Bank" here refers to those institutions in the rest of the world that are classified in the EU as monetary financial institutions – MFI. Besides banks, this includes other financial institutions for which a significant part of their activities comprises lending the non-bank public and accepting deposits, or close substitutes of deposits, from the non-bank public.

The classification of international organisations and authorities in the EU and other international areas see section 5.5.

5.3 Central Counterparties

Central counterparties refer to institutes functioning as intermediaries in financial transactions. In Sweden Central Counterparties are included in the Financial auxiliaries sector and Other financial intermediaries sector (in

Sweden) and for EMU countries in Other financial corporations, non-MFI. Repurchase agreements for Central Counterparties in Sweden and EMU countries will be separately reported.

An updated list of Central Counterparties in Europe is published by the European Securities and Markets Authority (ESMA). A link to this page can also be found on Statistics Sweden's website for reporting dealers, <http://www.scb.se/fms>.

Central Counterparties in Sweden and EMU countries as of Dec, 2013:

Name	Country	BIC code
Counterparties in Sweden		
NASDAQ OMX STOCKHOLM AB	Sverige (SE)	OMECSESSXXX
NASDAQ OMX CLEARING AB	Sverige (SE)	OMECSESSNOC
Counterparties in EMU countries		
LCH CLEARNET SA	Frankrike (FR)	BACPFRPPXXX
CCP AUSTRIA ABWICKLUNGSSTELLE FUER BOERSENGESCHAEFTE GMBH	Österrike (AT)	CAAHATW1XXX
CASSA DI COMPENSAZIONE E GARANZIA	Italien (IT)	CCEGITRRXXX
EUROPEAN COMMODITY CLEARING AG	Tyskland (DE)	EEXCDE8LXXX
EUROPEAN MULTILATERAL CLEARING FACILITY	Nederländerna (NL)	EMCFNL2AXXX
HELLENIC EXCHANGES S.A. HOLDING, CLEARING, SETTLEMENT AND REGISTRY	Grekland (GR)	HCSDGRAAXXX
MEFFCLEAR	Spanien (ES)	MEFEESB1XXX
OMICLEAR - SOCIEDADE DE COMPENSAÇÃO DE MERCADOS DE ENERGIA - SGCCCC SA	Portugal (PT)	OMICPTPLXXX

N.B. EUREX CLEARING AG (Germany) which is included in the ESMA list is classified as an MFI.

5.4 Financial Vehicle Corporation (FVC)

Financial Vehicle Corporations (FVC) are legally independent institutions taking part in securitisation by purchasing assets, credit risks or insurance risks and issuing securities or derivatives. See also section 15 about securitisation and FVC.

FVC in Sweden has sector code 125100. A list of Swedish FVC is available under <http://www.scb.se/fms>, "Se även" under "Balansräkningsstatistik för monetära finansinstitut".

The ECB provides a list of FVCs in EU countries. A link to this page can be found on Statistics Sweden's website for reporting dealers. Follow the link above.

5.5 International organisations and authorities abroad

In general, international organisations are to be classified under “other countries” and hence not under the country where they are physically located. Exceptions are European Stability Mechanism (ESM) and European Investment Bank (EIB), which are classified as EMU counterparty.

The National Central Banks should be classified to the country which the authority belongs.

Below follows a sample of international organisations and monetary authorities and how they are to be classified in the MFI-form. A more extensive list is available at ECB's "Monetary Financial Institutions and markets' statistics sector manual". It should be noted that none of the lists are comprehensive.

Name	Abbreviation	MFI classification
European Central Bank	ECB	MFI, Germany, EMU countries
Bank for International settlements	BIS	MFI/Bank, remaining countries abroad
International Monetary Fund	IMF	MFI/Bank, remaining countries abroad
Arab Monetary Fund	AMF	MFI/Bank, remaining countries abroad
National Bank of Denmark		MFI, Denmark, other EU countries
European Free Trade Association	EFTA	Public sector, remaining countries abroad*
African Union	AU	Public sector, remaining countries abroad*
World Health Organisation	WHO	Public sector, remaining countries abroad*
World Trade Organisation	WTO	Public sector, remaining countries abroad*
International Committee of the Red Cross	ICRC	Public sector, remaining countries abroad*
Organisation of the Petroleum Exporting Countries	OPEC	Public sector, remaining countries abroad*
European Investment Bank	EIB	MFI, EMU-countries
European Stability Mechanism	ESM	Other counterparties, EMU countries
OPEC Fund for International Development	OFID	Other counterparties, remaining countries abroad
International Finance Corporation	IFC	Other counterparties, remaining countries abroad
Nordic Investment Bank	NIB	Other counterparties, remaining countries abroad
Asian Development Bank	ADB	Other counterparties, remaining countries abroad
European Bank for Reconstruction and Development	EBRD	Other counterparties, remaining countries abroad

*) A distinction is drawn between MFI and the Swedish part of RUTS

Differences with others ways of reporting statistics

Aside from the MFI, a sample of institutes also report through the Report of Foreign Assets and Debts (RUTS). From December 2013 “development banks” (institutions that finance long-term development projects), should be reported under International organisations, Non-bank financial institutions, in the form RUTS's Swedish part. This corresponds with the treatment in the MFI-form were Other counterparties should the used.

Both EIB and ESM are separated in the RUTS but are here reported under International organizations while they in the MFI-form are reported as a counterpart within the EMU.

One difference in the classification between MFI and the Swedish part of RUTS is the treatment of international organizations other than development banks,

these are in the MFI classified as Public sector while they in the Swedish part of RUTS are classified as International organizations, Non-financial corporation.

RUTS in consolidated form distinguished itself from both MFI and the Swedish part of RUTS in so far as all monetary and international organisations are counted as public sector in the consolidated form of RUTS.

5.6 Counterparties for securities

Securities that are treasury bills, etc. eligible for refinancing, bonds and other interest bearing securities and shares and funds are regarded as having the issuing creditor as a counterparty. The corporations' main office determines the country classification and not where the shares or interest bearing security are dealt with.

Counterparty distribution is not affected by whether there is a guaranty behind the securities issued.

Riksbank certificates are to be reported under treasury bills, etc. eligible for refinancing, Spec T2, item no. 1020111.

Counterparty distribution of derivatives is included in section 14.2.

Example 1:

An institution buys bonds issued by a Swedish housing finance institution. The issue is denominated in USD. The holdings shall be reported at Spec T5 under Monetary Financial Institutions.

Example 2:

A Swedish non-financial corporation has shares listed in the Nasdaq OMX Stockholm Exchange, which institutions buy through banks. Holdings are to be reported at Spec T6 under shares listed on a marketplace or platform, counterparts in Sweden, non-financial corporation.

Example 3:

A Swedish mutual fund corporation has a subsidiary in Luxembourg that manages many Luxembourg-based funds, the institution has shares in two of these funds (one bond fund and one equity fund). Holdings will be reported at Spec T6 under Shares in investment funds, counterparts in EMU countries, Non-monetary investment funds.

Example 4:

The institution purchases shares (Swedish deposit receipts SDB) in a non-financial corporation listed on the Nasdaq OMX Exchange in Stockholm. Such holdings are reported at Spec T6 under shares listed on a marketplace or platform, counterpart in EMU countries, non-financial corporation.

5.6.1 Marketplace for shares and funds

Shares purchased on a regulated market or trading platform, in accordance with the Law on the securities market (2007:528) or equivalent foreign market place and other shares traded on the securities market and for which there is a publicly available listing are reported as listed on a marketplace or platform.

Shares listed on a marketplace or platform for the Swedish market are listed on the Nasdaq OMX Stockholm, NGM Equity, NGM Nordic MTF Stockholm, Aktietorget or First North.

Shares not listed on a marketplace refer to shares without continuous, market-based listing.

Exchange-traded funds (ETF) should be classified as investment funds.

6 Lending

6.1 Lending reserves

In the MFI form, all lending should be reported before provisions for anticipated loan losses and provisions for transfer risk.

In order for the balance sheet to agree, the provisions in items 1041 and 1042 should be reported separately in *The Special balance sheet* (Spec Särskild balans). Provisions should be entered with a plus sign. In the form's automatic controls, the provisions are subtracted so that the total assets are calculated after deductions for provisions.

6.2 Non-performing loans

In the MFI form, non-performing loans should be reported in *Spec Oreglerade*. In order for a loan to be non-performing, at least one of the following criteria has to be fulfilled

- The payments of interest and principal are past due by 90 days or more
- It exist a risk that the loan will not be fully repaid without the use of collateral

This definition corresponds to the definition in the supervisory report FINREP.

Non-performing loans should be reported excluding accrued interests.

6.3 Counterpart distribution for factoring credits

In the event of counterpart distribution of lending factoring credits, the invoice creditor is reported as the counterpart in cases where the credit risk remains with the invoice creditor. If credit risk is assumed by other than the invoice creditor

then whomsoever is liable for payment of the invoice is reported as the counterpart.

6.4 Lending to MFI within the group

Lending to MFI within the corporate group should be reported in tab Spec T3 Sektor and table “Lending to MFI within the group”. Outside EU, MFI is represented by banks and other financial institutions for which a significant part of their activities comprises lending the non-bank public and accepting deposits, or close substitutes of deposits, from the non-bank public. Lending to own branches should not be reported here², but loans to MFI-subsidaries are to be included.

Reporting should separately be done both for the parent company and the branch.

Example

A Swedish MFI lending through its branch in Finland to SEK 100 million to a subsidiary in Norway. Both the branch and subsidiary are classified as MFI. SEK 100 million is reported as *MFI / bank within the group in other countries*. Reporting should be done in the MFI-form for both the parent and branch. Lending is meanwhile also included in other (relevant) lending specifications.

6.5 Breakdown of lending according to maturity

The underlying definition of maturity is the agreed time during which a financial instrument cannot be redeemed or can only be redeemed by paying a penalty fee. As regards lending in Sweden the nearest equivalent is the interest rate fixation period.

Therefore, lending is broken down according to the original interest rate fixation period of the loans.

If different interest rate fixation periods have been set for different parts of the loan amount in a loan agreement, each part should be treated as a separate loan.

A separate loan as defined above should be reported in its entirety in the same maturity range, i.e. a loan that has an interest rate fixation period of 3 years should be entered in its entirety in the range more than 1 year up to 5 years.

Maturity refers to original maturity, i.e. a loan that has an interest rate fixation period of 3 years belong to the range of 1 year up to 5 years until the interest rate fixation period is over. A loan with floating rate is to be placed in the maturity range up to 3 months in Spec T3 Counterparties, maturity (Spec T3 Motparter) and in the shortest interval duration (up to 1 year) in the other specifications.

² Transactions between the parent company and subsidiary are to be classified under the specifications of the balances (mother) and differential branch (branch).

A loan should always be categorised according to its current interest rate fixation period; any previous interest rate fixation periods should be disregarded.

6.5.1 Overdrafts and revolving loans

Revolving loans refers to loans with credit granted and where credit may be used freely as long as the borrower remains within the credit granted. Regular repayments may not be required but when the loan is repaid, the borrower's credit line increases again.

The category *Overdrafts and revolving loans* includes, for example, bank overdrafts, building credits, credit card and delayed debit card loans.

6.6 Spec T3 Counterparties, maturity – Repurchase agreements

Repurchase agreements listed on the assets' side, called reversed repurchase agreements, have the book value of the undertaken repurchase agreements reported for genuine repurchase agreement transactions (the definition of genuine repurchase agreement transaction can be found at FFS 2008:25, Chapter 2, §5) and for repayable liquid funds placed as collateral for securities loans. Ingenuine repurchase agreement transactions, where the recipient party has the right but not the obligation to return assets at a predetermined price, are included here if it is obvious that the option to return assets is going to be exercised.

6.7 Spec T3 specification of maturity

Maturity of loans generally refers to the original interest rate fixation period but for Spec T3, Specification of maturity (Spec T3, Löptidsspecifikation) the remaining interest rate fixation period will also be reported.

Example:

A loan of SEK 1 million to non-financial corporation has an original interest rate fixation period of 2 years. The loan would be classed under Maturity over 1 year up to 5 years on Spec T3 Counterparties, maturity (Spec T3 Motparter, löptid). The original maturity is unchanged until the loan is refinanced or repaid. The remaining maturity decreases successively until the loan is refinanced or redeemed. It will be specified on Spec T3 Specification of maturity (Spec T3 Löptidsspecifikation) that the loan has an original interest rate fixation period of over 1 year and up to 2 years. The first year the loan is reported the remaining maturity shall be over 1 year. When a year has passed and there is less than a year of the interest rate fixation period remaining then that time will instead be reported as remaining maturity up to 1 year.

Examples of original and remaining maturity



Maturity breakdown, year 1

	Item no.	SEK thousand
		Swedish kronor
Counterparties in Sweden		
Non-financial corporate sector	103014	1 000
Original maturity up to 1 year	103014A	
Original maturity over 1 year up to 2 years	103014BA	1 000
Remaining maturity up to 1 year	T	
Remaining maturity over 1 year	W	1 000

Maturity breakdown, year 2

	Item no.	SEK thousand
		Swedish kronor
Counterparties in Sweden		
Non-financial corporate sector	103014	1 000
Original maturity up to 1 year	103014A	
Original maturity over 1 year up to 2 years	103014BA	1 000
Remaining maturity up to 1 year	T	1 000
Remaining maturity over 1 year	W	

6.8 Spec T3 Collateral

Lending to non-financial corporations, entrepreneurial households, other households and households' non-profit organisations serving households are further broken down by the collateral of the loans. The reported amount refers to the loan and not the value of the collateral.

The Swedish tax agency provides all real estates with a type code. Since tenant-owner apartments are not a part of the real estate, loans with housing as collateral should be reported as collateral tenant-owner apartment and not based on the type of tenant-owner apartment is located in.

Example:

A household takes a loan of 3 million SEK in order to buy a tenant-owner apartment in a multi-dwelling building with the tenant-owner apartment as collateral. Meanwhile, the tenant-owners association is taking a loan of SEK 5 million with the multi-dwelling building as collateral. This case should be reported as 3 million of households with collateral multi-dwelling building, and 5 million of non-financial company with security multi-dwelling building.

Financial instruments

A common example of collateral is shares, funds, bonds or insurances. Note that repurchase agreements and overnight loans always should be reported under other collaterals.

One-to-two family dwellings

Examples of one-to-two family dwellings are villas, terraced houses and holiday house. Certain apartment houses in agricultural areas are considered one-to-two family dwellings. See Law on property taxation (1979:1152).

Condominium

Condominium are a special property form where the tenant owns a private apartment in a multi-dwelling building, as distinct from tenant-owner apartments where the tenant is a member of an economic association (tenant-owners association), which in turn owns the real estate.

Tenant-owner apartments

This refers to an apartment or a one-to-two family dwelling that is owned by an economic association (tenant-owner association), in which the occupant is a member. See the Swedish tenancy act (1991:614).

Multi-dwelling building

Multi-dwelling buildings refer to buildings with at least three apartment dwellings in them.

Agricultural buildings

The term agricultural buildings refers to the definition of agricultural unit from the Law on property taxation (1979:1152). Agricultural buildings include buildings for agriculture and forestry such as animal stalls, barns or machine halls together with arable land, grazing land, forest and unstocked forest (forest

with low timber production). One-to-two family dwelling and empty fields on the agricultural unit are included.

Other properties

This consists of properties not elsewhere classified. This includes office buildings, multi-storied parking lots and industrial buildings.

Floating charges

Collateral can take the form of a floating charge certificate. The Swedish Companies Registration Office is the Swedish authority that attends to floating charge certificates.

Central government guarantee

Central government covers for example guarantees made by the Swedish National Housing Credit Guarantee Board, the Swedish National Debt Office, The Swedish Export Credits Guarantee Board and County Administrative Boards.

Local government guarantee

This is where one or many municipalities have issued guarantees for the loan.

Other guarantee

Other guarantee refers to the credit guaranty signed by physical persons or legal entities other than the central government and municipalities. For example, this could include loans to creditors that are guaranteed by family members.

Other collaterals

This includes loans with collateral not elsewhere classified. Repurchase agreements and overnight loans are considered Other collateral.

Unsecured credits

Unsecured credits or unsecured loans are loans granted without any security or collateral. This also includes delayed debit and credit card credits if there is no special collateral for these.

6.8.1 Loans with double collateral

Loans with double collateral report the loan in its entirety under the type of collateral that covers the largest share of the loan. If a loan has double collaterals and the collaterals cover exactly equally large percentages of the loan, then the loan should be grouped in its entirety by that type of security (of those relevant to the loan) as is first enumerated in the list below:

1. One-to-two family dwellings
2. Condominium
3. Multi-dwelling building
4. Agricultural buildings
5. Other properties
6. Tenant-owner apartments

7. Central government guarantee
8. Local government guarantee
9. Financial instruments
10. Floating charges
11. Other collateral
12. Other guarantee
13. Unsecured credits

Example:

A loan of SEK 1 million is 50 percent covered by security of agricultural property and 50 percent by local government guarantee. SEK 1 million is reported on the agricultural property and nothing is reported on the local government guarantee.

6.9 Spec T3 Collateral and maturity (Spec T3 Säkerhet, löptid)

Lending to households will be distributed by collateral and maturity. Other households do not include households' non-profit organisations serving households.

6.9.1 Not housing loans but with the property as collateral

Table two of Spec T3 Collateral, maturity (Spec T3 Säkerheter, löptid), loans taken with properties as collateral but where the final aim is other than residential. If the loan's final aim is not known then the classification can be based on the product type instead. Examples of loan products such as these should not consider housing loans, as such, but rather having the property serve as collateral such as with "senior loans"³.

6.10 Spec T3 Credit card credit (Spec T3 Kortkredit)

6.10.1 Number of cards

The number of cards in Spec T3 Credit card credit (Spec T3 Kortkredit) calls for the total number of credit cards and delayed debit cards issued.

Direct debit cards and bank cards (cards where the amount is in principle drawn directly from the deposit account) that have no line of credit are not included. In contrast, those cards with lines of credit, whether granted after application or issued automatically with the card, are included. Whether the short-term credit is utilised by the card holder or not is not relevant. Rather the credit function itself is the controlling factor.

Other cards such as loyalty cards from retail tradesmen, fuel cards etc. will also be included if the cards have lines of credit. The cards' being connected to a universal means of payment such as with Master Card and VISA or other global

³ Senior debt is often secured by collateral on which the lender has put in place a low leverage home. The loan has no requirements for ongoing interest payments or principal payments, but the entire loan, including the interest rate, is repaid when the loan matures.

payment system is insignificant, as is whether the card can only be used in a limited number of sales or payment sites.

6.10.2 Credit card and delayed debit card loans

Spec T3 Credit card credit (Spec T3 Kortkredit) calls for information about extended credit card credits and convenience credit card credits to be reported. Counterparties in Sweden and the EMU are reported as being divided among Households etc., Non-financial corporations and Other counterparties. No sector breakdown is reported for other EU countries and remaining countries abroad.

Note that the counterpart is liable to repay the creditor.

Convenience credit card credit refer to short-term credit where no interest accrues from having used the card to having paid the next invoice arriving.

Extended credit card credit refer to short-term credit that was not paid with the next invoice arriving after having used the card and where interest accrues on the credit, with due consideration of an interest-free period. A part of the credit debt is usually paid at each invoicing occasion.

The outstanding debt for one card can, thus, consist of both a convenience credit card credit and an extended credit card credit.

If the cardholder is able to use the granted credit in other ways than through the card, the outstanding debt on the part used by credit card and/or delayed debit card should be reported as credit card credit/delayed debit card loans. If the credit card part of a repayments of a credit that can be accessed by both credit card and by other means can be identified, for example by separate invoices, this should be done. If it's impossible to separate the repayments of the card credit from the other credit a distribution must be done. The distribution should be based on the outstanding amounts of the card credit compared to the other credits that can't be separated from the card credit.

Prepaid cards are treated in section 10.1.2 on electronic money.

Some examples of how different types of cards are to be reported follow below.

Example 1:

A private person has a delayed debit and credit card for which he or she is solely responsible for payment. The card has up to 55 days interest-free credit. During the month of January the card is burdened with purchases for SEK 5 000.

The January invoice is to be paid by the end of February. The card holder then chooses to pay the entire amount of the outstanding debt of SEK 5 000. At the end of January, SEK 5 000 will be reported as *convenience credit card credit*

with "Households etc." as the counterpart in the MFI form with the outstanding debt at the end of February is zero.

Example 2:

A person at a company has become a delayed debit and credit card holder through their employer, but where he or she is not solely responsible for payment. The card has up to 55 days interest-free credit. During the month of January the card is burdened with purchases for SEK 10 000.

The January invoice is to be paid by the end of February. The person chooses to pay only SEK 6 000 and postpone the remaining payment of SEK 4 000 until later (burdening the credit). The remaining SEK 4 000 accrues interest at the agreed rate to be paid by the person.

At the end of January SEK 10 000 will be reported as *convenience credit card credit* with "Households etc." as the counterpart in the MFI form. At the end of February the entire debt was not paid, which is why SEK 4 000 plus capitalised interest will be reported as *extended credit card credit* with "Households etc." as the counterpart. Accrued interest on extended credit card credit, like other forms of lending, will be reported with Spec T8 - *Deffered costs and accrued incomes*.

Example 3:

A private person has a direct debit card where in principle the amount is drawn directly from an account but that is combined with a short-term card credit. The person can control whether the amount is drawn directly in connection with a card purchase or is the credit granted is to be burdened. Credit lacks an interest-free period and interest accrues from the first day. The person can choose to pay the entire debt whenever they please but must pay a certain part each period. The outstanding credit card credit on reporting occasions will in this case be reported as extended credit card credit.

Example 4:

A private person has a loyalty card or fuel card offering the opportunity to purchase certain goods and/or services on interest-free credit (tyres, spare parts, car service, etc.). The person has committed her or his self to paying the entire amount over a certain number of payment occasions in order to maintain the interest-free credit.

The person purchases goods for SEK 10 000 using the card and agrees to pay the entire (interest-free) amount over four payment occasions (SEK 2 500 per instalment payment). The entire outstanding cash card debt (SEK 10 000) will be reported as *convenience credit card credit* until the first instalment payment is made. The outstanding credit card credit will be reported as extended credit card credit for subsequent reports occurring after the first payment.

Example 5:

A private person has a line of credit of SEK 50 000 with a 30 day interest-free period that can both be used by delayed debit and credit card as well as cash loans. During the month this person uses SEK 20 000 of the granted line of credit through the card and a further SEK 10 000 through account transfers. None of these credits were repaid as of the last of the month.

The total lending reported is SEK 30 000 of which SEK 20 000 will be reported under *Spec T3- Credit card credits* (Spec T3 Kortkredit) as *convenience credit card credit*. On *Spec T3 Type of credit* (Spec T3 Typ av kredit) the amount of credit granted of SEK 50 000 is reported under amount granted and lending as much as SEK 30 000 under disposable or outstanding amount on the row for *other credits*. SEK 30 000 is also the figure to be reported in the other T3 specifications.

If SEK 12 000 of the card credit is repaid before next reporting there will remain loans of SEK 8 000 to be reported on *Spec T3 Credit card credit* (Spec T3 Kortkredit) as convenience credit card credit. SEK 18 000 remains on utilised/outstanding amount on *Spec T3 Type of credit* (Spec T3 typ av kredit) and SEK 50 000 is recorded on granted amount.

If it's impossible to separate the repayments for the card credit a proportional distribution has to be used. In this case, the outstanding card credits account for 2:3 of the outstanding credits that can't be separated.

SEK 12 000 ($20\,000 - \frac{2}{3} \cdot 12\,000$) is therefore reported on *Spec T3 Credit card credit* (Spec T3 Kortkredit) as convenience credit card credit. SEK 18 000 is reported as utilised/outstanding amount on *Spec T3 Type of credit* (Spec T3 typ av kredit). As previously, SEK 50 000 is reported on granted amount.

6.11 Spec T3 Type of credit

Factoring credits

Factoring credits (leveraged accounts receivable) means that a debtor seeks financing through leveraging their accounts receivable thorough a finance company where the accounts receivable serve as security. Also bought invoices are to be included. See section 6.3 for the counterpart distribution of factoring credits.

Hire purchase credits

Hire purchase credits are a loan form used for the purchase of machinery and vehicles. The product is owned by the debtor and serves as security for the loan. Hire purchase credits should not be confused with instalment payments for short-term credit or other loans where the purchased object does not serve as the security for the loan. Bought hire purchase claims are to be reported under contract credits.

Contract credits

Contract credits (leveraged contracts) refer to lending where the debtor leverages their contracts.

Promissory note credit

Promissory note credit refers to a written debt agreement or a creditor's letter of commitment. As a rule, a promissory note contains information about the terms of the loan (principle, interest rate, security, maturity and days for paying interest).

Other credits

Credits not elsewhere classified by other credit forms are included here. Convenience credit card credit, extended credit card credit, financial leasing, overdrafts and building credits are included under Other credits.

Granted amount

The term *granted amounted* refers to the extent of credit granted by the creditor to the debtor to use give a promise of later repayment.

6.12 Spec T3 Leasing objects

Buildings

Examples included here are school buildings, office buildings, apartment buildings and industrial buildings.

Private cars

Cars with a maximum of 8 seats aside from the driver's seat and that mainly are made for personal transport. This includes caravans (recreational vehicles). See the Law on road traffic definitions (2001:559)

Light lorries

The term light lorries mainly refers to person and goods traffic other than in passenger cars or busses, where the total weight is a maximum of 3.5 tonnes, see the Law on road traffic definitions (2001:559). Lorries with a total weight greater than 3.5 tonnes are regarded as heavy lorries and are instead included in the "other vehicles" category.

Rail and tramway vehicles

This category includes locomotives, railroad cars, subway cars and tram cars.

Boats and ships

This category includes boats and ships for travel by water. Underwater vessels are also included.

Airships

Aircraft, helicopters, and hot air balloons are included here.

Containers

All types of containers are included here, such as storage containers, maritime containers, platforms, sanitation containers and office and personnel containers.

Other vehicles

Vehicles, other than passenger cars and light lorries, such as heavy lorries, busses, recreational vehicles and other trailers and attached vehicles are included here. Snowmobiles and all-terrain vehicles are also included here. Note that digging machinery, dumpers, trucks, wheeled loaders, etc. are not included here but are instead reported under earth moving machinery, construction machinery and earth and forestry machinery or under workshop machinery and trucks.

Earth moving machinery and construction machinery

This included earth moving machinery (also called contractual machinery) such as diggers, wheeled loaders, asphalt spreaders and bulldozers. Cement mixers, cranes and elevators are also included.

Agriculture and forestry machinery

Earth and forestry machinery such as tractors, harvest machinery, scooters, harvesters, and harvest combines are included here.

Workshop machinery and trucks

This includes goods production machinery in the engineering industry such as lathes, saws and routers. Trucks are also included in this category.

Computers and attendant equipment

Such things as printers, copiers, monitors, servers, scanners, video projectors, bar code readers, cashier stations and software are included here. Specialised equipment for the graphic design industry will be included in the graphic design equipment category.

Communication equipment

Such things as telephone switchboards, telephones and fax machines, equipment for computer communication such as docking stations, routers and gateways, mobile communication equipment, modems, radio and TV transmitters and TV cameras are included here.

Decorations for offices, hotels, restaurants or boutiques

This includes furniture, decorations and household appliances. Note that computers, copiers, telephones, etc. will not be included here but rather be reported under the computers and attendant equipment category or communication equipment category.

Graphic equipment

Equipment in the graphic arts and publishing industry such as printing presses, photographic printing equipment and binding machines are included here.

Medical equipment

Equipment for health, medical and dental care are included here. This includes

x-ray equipment, electrocardiographic equipment, dialysis equipment, sterilisation equipment and dentists' examination chairs. Veterinary equipment is also included here.

Other leased objects

This includes objects not elsewhere classified in accordance with the given categories, such as machines in the wood pulp and paper industry and energy equipment.

6.13 Advance payments for leased objects

There are separate lines for reporting about advance payments for leased objects in Spec T3 Leasing, Spec T3 Leasing objects (Spec T3 Leasingobjekt) and Spec T7 - Tangible assets. This refers to advance payments to suppliers for leased objects where the institution's contract with the lessee has not yet come into effect.

6.14 Spec Housing finance institutions' lending

The specification for Housing finance institutions' lending to Swedish and foreign non-MFIs is used exclusively for reporting the lending of overnight loans and repurchase agreements. Construction credits are not included either.

New lending consists of the following:

- increasing the amount of credit,
- rescheduling interim loans to one final loan with the institution,
- assumption of another loan from another institution.

A loan's transfer to a new borrower within the institution is not regarded as a new lending and is not reported if the loan principle is not increased at the same time. If the principle increases then it is reported as new lending. Rescheduling the terms of a loan is not new lending. However, if the amount of credit is increased then it is considered new lending.

7 Syndicated loans

A syndicated loan is when one or more institutions take part as creditors to a loan contract. The guarantor must, according to the terms of the loan, be aware of the loan's being granted by several banks in order to be regarded as a syndicated loan. All institutions taking part in the syndicated loan report their part in the lending as an asset in their balance sheets. Only the amount that actually has been lent will be reported as a syndicated loan.

It is important to note that if one institution should afterward spread their risks to other institutions through securitisation then such is not reported as a syndicated loan.

The depositing and lending institution will report the syndicated loan under liabilities, which means that the depositing and lending institution was aware of many institutions taking part in the loan at the time of the loan.

8 Off-balance sheet items (lines of credit and trade financing)

8.1 Outstanding, undrawn credit facilities (lines of credit)

Undrawn credit facilities refer to agreements to lend, purchase securities, provide guarantees or acceptance facilities. This is an off-balance sheet item. The definitions correspond to the “unused credit facilities” in European parliament and EU nr 575/2013 on surveillance for credit institutions⁴.

Medium risk

Undrawn credit facilities (agreements to lend, purchase securities, provide guarantees or acceptance facilities) with an original maturity of more than one year.

Medium to low risk

Undrawn credit facilities (agreements to lend, purchase securities, provide guarantees or acceptance facilities) with an original maturity of up to and including one year which may not be cancelled unconditionally at any time without notice or that do not effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness.

Low risk

Undrawn credit facilities (agreements to lend, purchase securities, provide guarantees or acceptance facilities) which may be cancelled unconditionally at any time without notice, or that do effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness. Retail credit lines may be considered as unconditionally cancellable if the terms permit the firm to cancel them to the full extent allowable under consumer protection and related legislation.

Undrawn credit facilities for tender- and performance guarantees, which can be cancelled at any time without notice, or is subject of efficient arrangements of automatic cancellation, if the borrower's creditworthiness has deteriorated.

8.2 Outstanding, trade financing for off-balance sheet items.

The definition corresponds to “trade finance off-balance sheet items” in European parliament and EU nr 575/2013 on surveillance for credit institutions⁵.

⁴ European Parliament and Council Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, Annex I. Classification of off-balance sheet

⁵ Ibid

Medium risk

Trade financing for off-balance sheet items, i.e. documentary credits, opened or confirmed (see medium- low risk)

Medium-low risk

Trade financing for off-balance sheet items:

- Documentary credits in which underlying shipment acts as collateral and other self-liquidating transactions
- Warranties and indemnities (including tender, performance, customs and tax bonds) and guarantees not having the character of credit substitutes.
- Irrevocable standby letters of credit not having the character of credit substitutes.

See appendix 3 for examples of documentary credits.

9 Account adjustments

This includes items that arise due to evaluation rules in the reporting of statistics that sometimes deviate from the reported information.

For example, the difference that can arise when reporting depositing and lending in MFIs in nominal amounts is reported under account adjustments under other assets and other liabilities. Account adjustments are reported in gross, which means that the assets' column is separate from the liabilities' column.

Example 1:

An institution will have part of its lending valued at the market value. The total book value of the institution's lending for the given period is SEK 1 000 million and the nominal value is SEK 950 million. The institution then reports the following.

Lending: SEK 950 million

Other assets, account adjustments SEK 50 million

Example 2:

An institution will have part of its lending valued at the market value. The total book value of the institution's lending for the given period is SEK 1 200 million and the nominal value is SEK 1250 million. The institution also has part of its lending valued at the market value. The total lending for the period has a book value of SEK 600 million and a nominal value of SEK 580 million. The institution then reports the following.

Lending: SEK 1 250 million

Other assets, account adjustments SEK -50 million

Deposits and borrowing: SEK 580 million

Other liabilities, account adjustments SEK 20 million

10 Deposits and borrowing

10.1 Spec S1 Sector

Spec S1 Sector (Spec S1 Sektor) the counterparties for deposits and borrowing will be specified. The negotiable or transferable securities issued are not included in borrowing but are reported under the issued securities item. (Spec S2)

Subordinated debt in the form of loans should be reported as deposits and borrowings.

10.1.1 Deposits and borrowing

The last table in Spec S1 Sector (Spec S1 Sektor) has a breakdown of deposits and borrowing. The Financial Supervisory Authority's guidelines and general advice on annual accounts in credit institutions and securities companies (FFFS 2008:25) appendix 1, 16 §, last paragraph, provide the definition of deposits to be applied. Here it is stated that deposits refer to funds deposited in banks and clients' funds on account that are receivable by institutions other than banks. Borrowing refers to other deposits and borrowing than that reported as deposits. Issued securities are not included in borrowing but are reported under the issued securities item (Spec S2).

10.1.2 Electronic money

Spec S1 sector (Spec S1 Sektor) (deposits and borrowing) will contain information about *Electronic money*. Electronic money refers to prepaid amounts for either hardware-based or software-based solutions for electronic money.

Cards or software-based solutions should be able to be used as a general means of payment in order to be classified as electronic money, that is, they should not be limited to a single boutique or business chain.

The Cash Card is an example of a card that functioned as electronic money in Sweden earlier. Another example is a reloadable card where the card is loaded with a given amount from outset and the card can be used in businesses accepting the bank card or debit card.⁶ Solutions with software on personal computers or Internet solutions for payments instead of a physical card are examples of software-based, electronic money.

⁶ This type of card has often been called a "gift card". The difference between such and traditional gift cards being that these cards can be used as general means of payment in businesses that accept bank or credit cards.

10.2 Spec S1 Accounts, maturity (Spec S1 Konto, löptid) - classification of deposits and borrowing

The definitions of the different categories for deposits follow below. The decision tree in Appendix 2 serves to assist in the classification.

Overnight loans

Overnight loans refer to deposits with an agreed maturity of up to one Swedish banking day.

Repurchase agreements

Repurchase agreements refer to paid and received purchase price in the event of a genuine repurchase agreements transaction (see the definition of genuine repurchasing transactions in FFFS 2008:25, Chapt. 2, 5 §) and repayable liquid funds that were placed as collateral for securities loans. Ingenuine repurchase agreements transactions, where the recipient party has the right but not the obligation to return assets at a predetermined price, are included here if it is obvious that the option to return assets is going to be exercised.

On demand deposits

On demand deposits refer deposits without agreed maturity, redemption notice period or significant restrictions regarding withdrawal conditions. This includes both deposits that are directly transferable (see the definition of transferable deposits below) and deposits that are not directly transferable but that can be converted to cash within a banking day without accruing significant fees or worsening of interest terms.

A significant restriction, fee of worsening of interest terms refers to fees or some worsening corresponding to more than 0.5 percent of the withdrawn amount if the fee is expressed in percentages of the withdrawn amount. If the withdrawal fee is expressed as a predetermined, fixed amount, then a significant fee is one in excess of SEK 15 per withdrawal. Significant restrictions also refer to an account having a limited number of free withdrawals each year.

Regardless of the fee that the non-free withdrawals are assigned, these accounts are to be considered among deposits with a redemption notice period of up to three months.

Examples of on demand deposits are salary accounts, savings accounts with free withdrawals and debit card balances as established by the given institute.

Overnight loans or repayable liquid funds offered as collateral for derivatives or securities are not considered on demand deposits.

Deposits with agreed maturity

This refers to deposits with agreed maturity that cannot be withdrawn as cash during such a period or that can only be withdrawn in cash for a fee or a worsening of interest rate conditions.

An agreed maturity refers to the original maturity during which the deposit is locked or enclosed by withdrawal restrictions. Fixed-rate accounts are usually deposits with agreed maturity, but also accounts with variable interest rate can fulfil the definition since the term here can differ from fixed-rate period.

Administratively regulated deposits such as forest accounts are reported after the expiration of the maturity. Administratively regulated deposits where the maturity criteria are irrelevant are classified as deposits with an agreed maturity of more than 2 years.

Repayable liquid funds placed as collateral for derivative contracts are also reported as deposits with agreed maturity. Repayable liquid funds placed as collateral for securities loans are, in contrast, reported as repurchase agreements.

Private pension savings are not reported here. Such savings are instead taken up under the private pensions savings with counterpart households item.

Deposit redeemable at notice

Deposit redeemable at notice refer to deposits that cannot be withdrawn in cash prior to the notice period's expiration or that only can be withdrawn in cash for a fee such that the worsened interest rates are considerable.

Accounts without notice periods or other periods and where withdrawals bear significant fees or a deteriorations of the interest conditions are classed under the deposits with a redemption period of up to three months item. Accounts with a limited number of free withdrawals a year are also listed under this item, regardless of the fee the not free withdrawals are assigned.

Significant fees or deteriorations of the interest conditions refer to fees/deteriorations that correspond to more than 0.5 percent of the amount withdrawn if the fee is expressed as a percentage of the amount withdrawn. If the withdrawal fee is expressed as a predetermined, fixed amount, then a significant withdrawal fee would be more than SEK 15 per withdrawal.

Savings accounts without notice periods, but that limited withdrawal policies and these limitations cannot be avoided by exacting a fee of a reduction in interest, are also listed under the deposits with a notice period of up to two years.

Deposits from Financial Vehicle Corporations (FVC)

A special case of debt can occur in securitisation if the assets that are sold can't be de-recognised from the balance sheet. In this case the assets, for example loans, will still be recognised on the asset side of the balance sheet as well as the payments received from the FVC. In the MFI-form the counter-entry on the liabilities side for the payments received is to be reported as Deposits and borrowing from FVC with a maturity of over 2 years.

10.3 Spec S1 Transferable deposit

Transferable deposits refer to on demand-deposits that are directly transferable to other than the account holders themselves, through giro, account transfer (between accounts of the same account holder), credit or debit cards, checks or other means of payment and that occur without further delay, limitation or penalty fees. Accounts where funds can only be withdrawn as cash or transferred through another account owned by one and the same individual are not grouped as transferable deposits.

10.4 Spec S1 Deposits and borrowing from MFI within in the group

Deposits and borrowing from MFI within the group should be reported in *Spec S1 Sektor* in table “Deposits and borrowing from MFI within in the group”. Outside EU, MFI is represented by banks and other financial institutions for which a significant part of their activities comprises lending the non-bank public and accepting deposits, or close substitutes of deposits, from the non-bank public.

Deposit and borrowing from group companies that are not classified as MFI, for example non-financial companies and insurance companies, should not be included.

Lending to own branches should not be reported here⁷, but MFI-subsidaries are to be included.

Reporting should separately be done both for the parent company and the branch.

Example

A Swedish MFI is borrowing 100 million SEK via its branch in Finland from a subsidiary in Norway. Both the branch and the subsidiary are classified as MFI. 100 million should be reported in *MFI / bank within the group in other countries*. Both the parent and branch have to report in their MFI-form. The borrowing and deposit are also included in other relevant borrowing and deposit specifications.

11 Debt securities issued

11.1 Spec S2 - Classification by security type

Specification S2 is used to report information about issued securities. The distribution can be done for the following types of securities.

Money Market instruments (certificates)

⁷ Transactions between the parent company and subsidiary are to be classified under the specifications of the balances (mother) and differential branch (branch).

As Money Market instruments or certificates transferable securities with a normal original maturity (not the interest fixation time) less than one year is to be reported.

Bonds

Transferable securities where the normal original maturity in general is more than one year is reported as bond.

Index-linked bonds

Index-linked bonds are a financial product with a bond as a base. Options, with one or more underlying assets such as shares or interest rates, are tied to the bond. The entire value of the instrument is reported here, i.e. no division of bond portion and the underlying asset should be made.

The instruments are sometimes called equity-linked bonds or structured products. The term index-linked bond is used here since the return doesn't need to be tied to the stock market and the concept of structured products may also include other types of instruments.

Private bonds

Bonds made for private persons and not share index-linked bonds are reported here. Private bonds are normally listed on a stock exchange and can be purchased in small trade items. A distinction between fixed and floating interest rates is to be made. Covered private bonds are also reported as private bonds.

Covered bonds

Covered bonds are bonds where the investor retains a senior debt priority in collective collateral in the event of the creditor going bankrupt. They are only issued as collateral assets of high quality and thus the bond has a high credit value. These are reported in terms of floating and fixed interest rates.

Other bonds

Issued housing bonds and other types of bonds that are not elsewhere classified are reported here. A distinction between fixed and floating interest rates is to be made.

Money orders in transit

Drafted money orders are reported here.

Other securities

Other securities not elsewhere classified can be reported here.

11.2 Spec S2 – Debenture loans

Subordinated debt in the form of debt securities, debenture loans are reported in spec S2 in table Debenture loans. A distinction is made here on private bonds and other subordinated debentures. Subordinated debts that are not in the form of debt securities, but instead is in the form of deposits should be reported as deposits on S1.

12 Shares issued in money market funds

Shares issued in money market funds (monetary investment funds) will only be reported by institutions that are monetary investment funds. This applies to item no. 215 of the Special balance sheet (Spec Särskild balans) and Spec S5.

13 Securities lending (short positions)

A MFI that borrows securities and sells them on the open market is said to have a short position in that security⁸. Both in the MFI-form and in traditional accounting short positions are to be reported as a liability in the balance sheet. In the MFI-form, this is reported under Spec S3 Other liabilities/Short positions (Row 2045).

The instrument type (bonds or equity) is reported in Spec S6 Short positions. Counterparty is the issuer of the securities and not the lender of the securities.

Revaluation of short positions is reported under Spec S3 and Omv Spec S6 Short positions). See 17.5

If repayable liquid funds are received or reported in connection with a securities loan (cash collateral), then these are reported under repurchase agreements on the assets' and liabilities' side(s). Note that the repayable liquid funds that are received as collateral for derivative contracts will be included in deposits with agreed maturity, see section 14.

14 Reporting financial derivatives

Derivatives are financial instruments which value depends on certain underlying assets, such as shares, interest rates or a commodities index. Derivative instruments with positive book values are totaled and reported under other assets, and derivative instruments with negative book values are totaled and reported under other liabilities.

Derivative instruments are not to be reported together with their underlying assets in the MFI form, which is a deviation from FFFS 2008:25.

Repayable liquid funds that are received as collateral for derivative contracts will be included in deposits with agreed maturity. Repayable liquid funds that are received as collateral will be included in lending with agreed maturity. The counterpart is the party giving and receiving the repayable liquid funds.

⁸ The background to the collection of short positions is to adjust the statistics of double counting that arises. The institution that borrows securities does not report it as an asset in the balance sheet but both the counterpart that lent and the buyer of the security report them as an asset.

14.1 Currency breakdown of derivatives

The currency breakdown of derivative instruments with components in foreign currency should be reported according to the part of the contract that has the largest gross value.

For example: Foreign exchange forward

A forward contract for USD 1 million that expires *after* the reporting date is purchased. The forward price is 10 SEK/USD.

On the reporting day the spot price is 9 SEK/USD, which means that the forward has a negative net value. The gross value of the receivable amount of USD 1 million is SEK 9 million, and the gross value of the payable amount is SEK 10 million. The net value for the purchaser is minus SEK 1 million. The amount that should be reported under Other liabilities is SEK 1 million.

As the SEK-denominated part of the contract has a larger gross value than the dollar component, SEK 1 million should be reported in the SEK column.

If instead the spot price on the reporting day is 11 SEK/USD, the forward has a positive net value of SEK 1 million and should therefore be reported under Other assets. Since the dollar component now has the largest gross value (SEK 11 million), SEK 1 million should be reported in the column for Other foreign currencies.

14.2 Breakdown of derivatives according to counterparty

The sector breakdown of derivative stocks should be done according to the *derivative's* contracting counterparty, and not according to the underlying instrument's issuer.

For standardised contracts and OTC-contracts, the contracting counterparty is usually a clearing institution. In Sweden, Nasdaq OMX is the clearinghouse and it belongs to sector *Financial auxiliaries* (see also 5.1).

For an OTC option issued by a bank, which gives the right to buy shares in an industrial company at a specified price in the future, the contractual counterparty is banks and not non-financial corporations (the issuer of the underlying share).

15 Financial Vehicle Corporation (FVC) and securitisation

A securitisation institution or FVC (Financial Vehicle Corporation) refers to an institution whose main purpose is to:

- securitisation or intend to take part in one or more securitisation transactions and to be legally independent from the institutions that sells the assets or the credit risk in the securitisation transaction.

- To issue or intend to issue securities or derivatives and to own or be able to own the underlying asset.

Although MFIs and investment funds can have certain aspects in common with FVCs, they are never classified as FVCs. The type of institutions referred to as FVCs are sometimes called SPE (Special Purpose Entities) or SPV (Special Purpose Vehicles) even if the definitions vary.

15.1 Securitisation

Securitisation refers to:

- Transactions where assets or credit risks related to assets are sold to an independent institution (FVC) that issues securities or provides derivatives to finance the acquisition
- The transfer of insurance risks to an independent institute (FVC) that issues securities exhibiting derivatives to finance its exposure to insurance risks.

Still more complex structures with many FVCs involved can occur.

Securitised loans also include loans transferred during the securitisation process where the FVC has yet to issue securities.

15.2 Spec Adminstrating FVC loans

MFI administrating loans for FVCs will report information in Spec Adminstrating FVC loans (Spec Adminstrering FVC lån). Adminstrating loans for FVCs means that MFIs attend to the daily work of collecting interest and payments on the securitised loans from borrowers and paying interest to holders of the FVCs' issued securities. In the lower table (Of which Loans sold by their own institution) MFI should distinguish whether the administered loans are sold by their own institution or not.

MFIs will report administrated loans whether or not the FVC is situated in Sweden or abroad. FVCs situated in Sweden, EMU countries and other EU countries will have their MFIs report activities for each country. In the Loans administrated by an MFI for an FVC table, the row 50301-50303 counterparties in Sweden, EMU countries, other EU countries and Other countries abroad" refer to those loans that have been securitised. The Columns each refer to the FVC whose loans the institution's administration is based.

Example:

The institution administrates loans for an FVC situated in Ireland. From the loan securitised by the Irish FVC, SEK 600 million are for housing loans with Irish households as the counterpart and SEK 500 million are loans taken by British non-financial corporations with maturity up to one year.

Loans of SEK 600 million that Irish households have taken will be reported under the "FVCs hosted in EMU countries - IE (Ireland) and other Counterparties in EMU countries - Households - family dwelling, condominiums and tenant-owner apartments" column. The loans to non-financial corporations will be reported on the "Counterparties in other EU countries" row, because Great Britain is not an EMU country. Industrial sector, collateral or maturity need not be distinguished for borrowers in other EU countries and other countries abroad

Since the administrated loans not have been sold by the institute the institute do not have to report anything in the table of which Loans sold by their own institution.

16 Spec Loans, purchased and sold (Spec köpta och sålda lån)

The specification covers loans purchased and sold, securitised or otherwise acquired or transferred.

Acquisition and transference in relation to buy outs, corporate splits and partnerships with other institutions shall in contrast not be included.

The tables are broken down as follows:

Transactions that affect the loan stock

Table: Loans purchased or otherwise acquired during the period that affect the loan stock

Table: Loans securitised or otherwise sold or transferred during the period that affect the loan stock

Transactions that do not affect the loan stock

Table: Loans purchased or otherwise acquired during the period that do not affect the loan stock

Table: Loans securitised or otherwise sold or transferred during the period that do not affect the loan stock

Outstanding amount

Table: Outstanding amount of securitised loans that do not affect the loan stock.

Acquired and transferred loans will be reported in gross terms in the tables for purchased and otherwise acquired loans and securitised or otherwise sold or transferred loans. Both acquired and transferred loans will be noted with a positive sign.

The table for outstanding amounts "Outstanding amounts of securitised loans that do not affect the loan stock" will be used to report only securitised loans, other acquired or transferred loans will not be included in that table.

If a securitized or otherwise sold loan has been depreciated or written off in connection with the transaction it should be reported in sheet Omv sålda lån, see 17.1.2.

Example 1:

An institution purchases a loan of SEK 400 million with the counterpart being a Swedish insurance company from a non-monetary securities company and sells SEK 100 million back to the securities company in the same month. The transaction affects the balance sheet.

Because the transactions affect the balance sheet they are to be reported in the tables for transactions that affect the loan stock. The SEK 400 million will be listed under the "Loans, purchased or otherwise acquired in the period, that affect the loan stock" table, under the "Counterparties in Sweden - Other institutions and counterparties in Sweden - Insurance companies and pension institutions" column. Because the loan was also sold, SEK 100 million will be reported in the "Loans, securitised or otherwise sold or transferred during the period that affect the loan stock" table, and here also under the Counterparties in Sweden - Other institutions and other counterparties in Sweden - Insurance companies and pension institutions column.

Example 2:

The institution acts to securitise SEK 2 500 million for the first time where the entire amount is loans for housing to households in Sweden. The FVC taking part in the securitisation is situated in Luxembourg. The loan is removed from the balance sheet.

Because the loan was removed from the balance sheet, SEK 2 500 million will be reported in the "Loans, securitised or otherwise sold or transferred during the period that affect the loan stock" table, under the "Counterparties in EMU countries - FVC and other counterparties in Sweden - Households etc. - One-to-two family dwellings, condominiums and tenant-owner apartments" column.

Example 3:

The institution transfers loans to non-financial corporations for SEK 3 000 million to another Swedish MFI within the corporate group. The loan is removed from the balance sheet.

Because the institution transfers the loan and does so to affect the loan stock, SEK 3 000 million will be reported in the "Loans, securitised or otherwise sold or transferred during the period, that affect loan stock" table, under the "Counterparties in Sweden - MFI and other counterparties in Sweden - Non-financial industrial sectors" column. The corporate group receiving the loan reports SEK 3 000 million in the "Loans, purchased or otherwise acquired during the period, that affect loan stock" table, under the corresponding column and item number.

Example 4:

The institution enacts a securitisation of SEK 2 500 million, of which SEK 1 500 in housing loans to households and the remaining SEK 1 000 million in loans to non-financial corporations for the first time. All borrowers are in Sweden. The FVC taking part in the securitisation is situated in Ireland. The loan will not be removed from the balance sheet.

As the transactions do not affect the balance sheet, they are reported in the "Loans, securitised or otherwise sold and transferred during the period, that do not affect loan stock" in the "Counterparties in EMU countries - FVC and other counterparties in Sweden - Households etc. (SEK 1 500 million) and other counterparties in Sweden - Non-financial corporations (SEK 1 000 million)" column.

As the loan is not removed, the outstanding amount is reported. The institution has no securitised amounts from earlier, and so SEK 1 500 million is reported in the "Outstanding amounts of securitised or otherwise transferred loans that do not affect the loan stock" table under the "Counterparties in EMU countries - FVC and other Counterparties in Sweden - Households etc." column and SEK 1 000 million on the counterpart "Counterparties in Sweden - Non-financial corporations"

17 Calculating revaluations

"Revaluations" serve to report changes in stocks during the period that is not due to transactions, reclassifications⁹ or currency exchange rate fluctuations, except for the item shares and participations where currency exchange fluctuations are included in revaluations.

Thus revaluations are a measure of value change such as the rising or falling value of stocks resulting from price shifts, changes in market value of bonds and write-downs (noted credit losses) on loans.

"Period" refers to the time since the last reporting occasion. Thus, last month is the period for monthly reporters. For quarterly reporters the period is to the latest quarter and for annual reporters the period is the latest year.

17.1 Revaluation of loans

Loans with depreciations and write off, i.e. *noted* credit losses, are taken up as revaluations. Revaluations of loans are noted with negative figures because depreciations and write offs lead to a decreased stock.

⁹ Reclassification refers for example to when a listed stock/share becomes unlisted stock/share or when a counterpart changes sector.

17.1.1 Revaluation administration FVC loan

Revaluation of loans that is administrated by the institute is reported on spec "Omv Administrering FVC lån"

17.1.2 Revaluation of sold loans

Depreciation or write offs of sold loans that affect the balance sheet should be reported on "Omv Köpta och sålda lån". Revaluation of sold loans is a "of which position" to revaluation for T3 and should therefore be included in both specification.

Example

Loans for SEK 10 million are securitized and removed from the balance sheet. As a consequence of the securitization, the loans are written down to 9 million. FVC will therefore consider 9 million as a loan. In order to distinguish the transaction between the MFIs and the FVC from the impairment the write off are reported separately. The MFI that securitizes the loan therefore addresses -1 million on Revaluations Spec T3 Motp, together with the institutes other actual losses, but also report the impairment of -1 million on Omvärdering sålda lån.

17.2 Revaluation of debt securities, expect derivatives, at market value

Two methods can be used for revaluations of bonds and other debt securities and for shares and participations. One method is based on transactions, from which the revaluations are calculated, the other method is instead based on acquisition value. The reporter can select the method to be used but the choice should be consistent over time and for different instruments.

It should be noted that although both methods are used to calculate revaluations the results may differ.

17.2.1 Method 1 - Based on transactions

This method calculates revaluations as the following.

Revaluation = OB - IB - Transactions - Reclassifications

OB refers to balance value at the end of the period (outgoing balance) and *IB* is the balance value for the end of the previous period (ingoing balance).

Transactions refer to changes in assets and liabilities that are not due to revaluations (changes in value) or reclassifications. Transactions come about when assets or liabilities are bought, sold, exchanged or transferred. The transaction value does not include fees, compensation, commissions, brokerage costs and similar services.

An increase of assets or liabilities means a transaction with a positive amount and a decrease of assets or liabilities means a transaction with a negative amount when calculating transactions.

The following are examples of transactions for bonds and other debt securities as well as shares and participations:

- Purchase or sale of shares, mutual funds, certificates and bonds,
- Securities that came to maturity during the quarter,
- Dividends from shares and funds. If the dividends have the form of shares or reinvested investment funds it is a positive transaction in shares and funds. In the event of a cash dividend there is no transaction in shares and participations.

A *reclassification* can be that a share goes from being listed to being no longer listed or that a counterpart goes from being a non-financial corporation to being a Monetary Financial Institution.

In many cases it is assumed to be complicated for a reporter to keep track of reclassifications. The adjustment for reclassifications for the reporting of revaluations for bonds and other debt securities as well as shares and participations are on a best effort basis. In the case of securitisation of loans (reclassification), the revaluation must be adjusted so that the sale of the loan is not counted as a revaluation. Securitisation of loans should also be reported on Spec T3 Loans.

The revaluation for bonds and other interest-bearing securities shall **exclude** the effects of exchange rate fluctuations.

For shares and participations the revaluation shall include the effects of exchange rate fluctuations.

Transactions in foreign currency shall be recalculated into SEK after the exchange rate at close of day's business.

Below follows some examples for how revaluations are calculated when based on transactions. To keep the examples accessible and comprehensive, small amounts are used; amounts under SEK 500 are however reported as zero.

Example 1: Revaluation of market valued shares and participations in SEK

Event	Amount
IB	100
Purchase shares for 300	+300 (Transaction)
Sold shares for 120	-120 (Transaction)
OB	400
Transactions	+300-120=180
Revaluation = OB-IB-Transactions	400-100-180=120

Revaluation reported in example 1 is SEK **120**.

Example 2: Revaluation of market valued bonds and other debt securities in USD

Event	Amount
IB	\$ 100
Purchase securities for USD 30	\$ +30 (Transaction)
OB	\$ 140
Revaluation in USD = OB-IB-Transactions	140-100-30 = 10
Final rate SEK/USD	7.0
Revaluation in SEK	10 x 7 = 70

Revaluation of market valued securities (except for shares and participations) in foreign currency shall be calculated **exclusive** of the effects of exchange rate fluctuations. This is why revaluations are first calculated in foreign currency and then recalculated into SEK according to the final exchange rate for the given period.

Revaluation reported in example 2 is SEK **70**.

Example 3: Revaluation of market valued shares and participations in USD

Event	USD	SEK/USD	SEK
IB	\$ 100	6.0	600
Purchase shares for \$30	\$ 30	7.0	210
OB	\$ 140	7.5	1 050
Revaluation in SEK = OB - IB - Transactions	=1 050-600-210=240		

Revaluations for shares and participations shall include the effects of exchange rate fluctuations. Recalculating to SEK thus occurs before the revaluation is calculated.

Revaluation reported in example 3 is SEK **240**.

Example 4: Revaluation of a market valued share in SEK that became no longer listed during the period (reclassification).

Event	Item no. 1061 Shares listed on a market place	Item no. 1062 Shares not listed on a market place
IB	100	0
Purchase shares for 200	+200 (Transaction)	
The share is off the list.	-320 (Reclassification)	+320 (Reclassification)
OB	0	+320
Transactions	+200	0
Reclassifications	-320	+320
Revaluation = OB - IB - Transactions - Reclassifications =		
=	0-100-200-(-320)=20	320-0-0-320=0

The ingoing value of shares listed on a marketplace was SEK 100 and shares were purchased for SEK 200 during the period, but when the shares were removed from their listing value reclassified as shares not listed on a marketplace the value was SEK 320. From the beginning of the period until the share is no longer listed there has been an appreciation of SEK **20**, which becomes a revaluation of shares listed in a market place.

Because the shares were valued at SEK 320 both when it ceased to be listed and at the end of the period the revaluation of shares not listed on a market place becomes **zero**.

17.2.1 Method 2 - Based on acquisition value

Instead of being based on transactions, the acquisition value is used here to calculate revaluations.

For a portfolio where all securities are valued at market value, revaluations are calculated as **the change** in "the difference between market value and acquisition value" between the time of reporting and the latest previous time of reporting. Acquisition value refers to:

- accrued acquisition value for securities other than shares and participations
- The original acquisition value for shares and participations

As a revaluation, "the change in the sum of differences between market value and acquisition value" is reported for the portfolio since the previous time of reporting.

Thus, the formula for calculating the period's revaluation can be expressed as follows.

$$\text{Revaluation} = (MV_{OB} - ACQU_{OB}) - (MV_{IB} - ACQU_{IB})$$

where

MV_{OB} Market value at end of period
 $ACQU_{OB}$ Acquisition value at end of period
 MV_{IB} Market value at end of previous period
 $ACQU_{IB}$ Acquisition value at end of previous period

For a portfolio of market valued securities, the market value and the acquisition value for all securities in the portfolio are totalled and then the difference between these two can be calculated to reach the revaluation.

The revaluation for bonds and other interest-bearing securities shall **exclude** the effects of exchange rate fluctuations.

For shares and participations the revaluation shall **include** the effects of exchange rate fluctuations.

Market valued securities (incl. shares and participations) in SEK

Example 5: Revaluation of a market valued security in SEK

	IB	OB
Acquisition value	90	90
Market value	85	100
Market value - Acquisition value	-5	10

Revaluation	10-(-5)=15
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With the terms in the formula

$MV_{OB} = 100$, $ACQU_{OB} = 90$, $MV_{IB} = 85$ and $ACQU_{IB} = 90$.

The revaluation is then calculated as

$(MV_{OB} - ACQU_{OB}) - (MV_{IB} - ACQU_{IB}) = (100-90)-(85-90)=10-(-5) = \mathbf{15}$.

Revaluation reported in example 5 is SEK **15**.

Market valued securities (excl. shares and participations) in foreign currency

Revaluations of market valued securities (excl. shares and participation rights) in foreign currency shall **exclude** the effects of exchange rate fluctuations. The revaluations are therefore first calculated in foreign currency and then recalculated into SEK according to the final exchange rate.

Example 6: Revaluation of a market valued security in EURO

	IB	OB
Acquisition value, Euro	€ 90	€ 90
Market value, Euro	€ 85	€ 100
Market value – Acquisition value	€ -5	€ 10
Revaluations in Euro		10-(-5)=15
Final rate SEK/EUR		9,0
Revaluations in SEK		15 x 9 = 135

With the terms in the formula from the previous page

$MV_{OB} = € 100$, $ACQU_{OB} = € 90$, $MV_{IB} = € 85$ och $ACQU_{IB} = € 90$.

The revaluation in Euro can then be calculated as

$(MV_{OB} - ACQU_{OB}) - (MV_{IB} - ACQU_{IB}) = (100-90)-(85-90)=10-(-5)= € 15$

this is then converted to SEK after the final rate on the reporting day, which in the example is 9 SEK/EUR. In example 6 revaluations is to be reported to SEK **135**.

Market valued shares and participations in foreign currency

Revaluations of market valued shares and participation rights in foreign currency shall **include** all the effects of value, also effects of exchange rate fluctuations.

The revaluation adjustments of shares and participation rights in foreign currency are therefore calculated by the same method as shares and participation rights in SEK.

Example 7: Revaluations of market valued shares and participation rights in Euro

	IB	OB
Rate SEK/EUR	8,5	9,0
Acquisition value, Euro	€ 90	€ 90

Acquisition value , SEK	765	810
Market value, Euro	€ 85	€ 100
Market value, SEK	723	900
Market value SEK- Acquisition value SEK	-42	90
Revaluation in SEK	90-(-42)=132	

Revaluation reported in example 7 is SEK **132**.

17.3 Revaluations of securities, besides derivatives, evaluated according to Lower of Cost or Market (LCM)

According to RBFS transferable securities in general shall be valued to their fair value; following affect therefore only the exceptions when securities are valued according to the lower of Cost or Market (LCM).

If the revaluation is calculated from acquisition value for items where LCM is used, the same method as for market valued securities is used with the exception that the formula for calculation of the period's revaluation becomes:

$$\text{Revaluation} = (\text{LCM}_{\text{UB}} - \text{ACQU}_{\text{OB}}) - (\text{LCM}_{\text{IB}} - \text{ACQU}_{\text{IB}})$$

where

LCM_{UB} Value according to LCM at end of period

ACQU_{OB} Acquisition value at end of period

LCM_{IB} Value according to LCM at end of previous period

ACQU_{IB} Acquisition value at end of previous period

With acquisition value means the original acquisition value of shares and participation rights and the accrued acquisition value of other securities.

Example 8: Revaluation of a LCM valued security in SEK

	IB	OB
Acquisition value	90	90
Market value	85	100
Value according to LCM	85	90
Value according to LCM - Acquisition value	-5	0
Revaluation	0-(-5)=5	

In example 8 the market value at the beginning of the period is 85 lower than the acquisition value which is 90. Value according to the LCM is therefore 85. At the end of the period the market value is 100 and the value according to LCM is the same as the acquisition value, i.e. 90. The revaluation of example 8 is SEK **5**.

If revaluations are calculated based on transactions then the guidelines for market valued securities apply with the difference that both stocks and transactions are valued according to LCM in those cases where the acquisition value is distinct from the market value at the time of the transaction.

Securities in foreign currency follow the same guidelines for handling exchange rate fluctuations for market valued securities.

17.4 Securities valued at acquisition value

When the method based on of acquisition value is used no revaluations are usually reported for securities valued at acquisition value. For such securities, revaluations are only reported in the event of write-ups or write-downs.

17.5 Revaluations of Short positions

The revaluation methods according to 17.2 are used to calculate the revaluations of short positions (security lending), specification “Omv Spec S6 Korta positioner”.

For short positions, an increased liability set out with a positive sign and a reduced debt with a negative sign.

Example

100,000 shares with a rate of SEK 90 are borrowed and sold. This provides a liability for short positions at 9 million. The sale is a transaction and involves no revaluation. During the period, the share price drops to SEK 80. This means that the debt will decrease to 8 million, the change is not due to transactions but to changes in value, therefore a revaluation of -1 million in short positions (decreased debt) should be reported. The price is still SEK 80 when the deal is completed by the shares purchased and returned, the debt is then zero, but since it is a transaction no revaluations occurs.

17.6 Revaluations of derivatives

For derivatives, revaluations are calculated as the change in stock minus transactions during the period:

$$\text{Revaluation} = OB - IB - \text{Transactions}$$

Revaluations are calculated separately for derivatives reported under Other assets and derivatives reported under Other liabilities.

The transaction date is the date on which the transaction affects the stock that is entered in the balance sheet.

17.6.1 What counts as transactions for derivatives

Financial derivatives refer to the value of the derivative contract itself and not the value of the underlying asset.

Transactions in derivatives that are in the balance sheet upon the day of reporting are grouped on the asset side, if the market value is positive on the day of reporting and to the liability side, if the market value is negative on the day of reporting. Derivatives with zero market value should be reported on the asset side.

Transaction in derivatives that are not included in the balance sheet on the day of reporting are grouped on the side they were on the latest transaction date.

In order to properly calculate revaluations arising from derivative contracts in the balance sheet, the transaction must be indicated by the right sign. Below is listed what is considered a transaction and with what sign the transaction should be indicated. Appendix 1 restates many examples of revaluations in different types of derivatives along with calculation examples.

- *Positive and negative cash flows when the derivative is finalised or utilised*
- *Real Capital gain or capital loss*

When the contract is finalised or utilised then the positive or negative cash flow brought about gives rise to a transaction. A positive cash flow for a derivative with a positive market value gives rise to a corresponding **negative** transaction on the asset side while a negative cash flow for a derivative with negative market value gives a corresponding **negative** transaction on the liability side.

Transactions are negative in both cases due to the division of derivatives into assets and liabilities depending on whether they have positive or negative market values.

- *Premium and interest payments*

Premium payments are regarded as transactions. Payment of option premiums gives a **positive** transaction of the asset side while obtaining an option premium gives a **positive** transaction on the liability side.

For derivatives that have a positive market value on the day of reporting a positive net interest is taken up for the period, i.e. received interest exceeds interest paid, as a **negative** transaction on the asset side, while a negative net during the period, i.e. paid interest exceeds received interest, is counted as a **positive** transaction on the liabilities side.

For derivatives with negative market values on the day of reporting, a positive net interest is taken up for the period, i.e. received interest exceeds interest paid, as a **positive** transaction on the liability side, while a negative net interest during the period, i.e. paid interest exceeds received interest, is counted as a **negative** transaction in the liability side.

- *Trade in the secondary market*

In trading on the secondary market, buying is a positive transaction and sale a negative transaction for derivatives on both the asset and liability side.

17.6.2 Differences between MFI and Balance of Payment (BoP) FD31

Reporting on the revaluation of derivatives in MFI form is very similar to the reporting of balance of payments form FD31, but for derivatives with negative market value there is an important difference.

In the FD31-form transactions and value changes (revaluations) are measured as changes in the derivatives market value while in the MFI-form the value changes are divided into asset and liability side.

The difference is that a change that increase liabilities (derivatives with negative market values) in FD31 will be indicated with a negative sign because the market value decrease, whereas in the MFI-form this will lead to a positive increase in the revaluation of the liability side, and a negative revaluation of the asset side if the derivative switching sides. Correspondingly, a change that reduces the liability side of the FD31 is a positive change of value (market value is negative but increases), while in the MFI it becomes a negative revaluation since the liability decreases.

A market value increase of derivatives on the asset side will lead to a positive revaluation in both FD31 and MFI. Correspondingly, a decrease in the market value of derivatives on the asset side leads to a negative revaluation of both FD31 and MFI.

The example of revaluation of derivatives in Appendix 1 has been adapted from the examples for FD31 but with the division of transactions and revaluations of assets and liabilities according to the MFI form.

17.6.3 Exchange rate

Transactions in foreign currency are valued at the exchange rate at the time of the transaction. Stocks at the beginning and end of the period are valued at the exchange rate of each point in time.

17.6.4 Counterpart's distribution of revaluations of derivatives

Counterpart here means the derivative contracts counterpart, not a counterpart in trade (purchaser or vendor) or the issuer of the underlying assets.

In the event of acquiring contracts on secondary markets, the transaction shall be reported on the calculation of revaluations for that counterpart who, after the transaction, is the contractual counterpart, not after that counterpart from whom the contract was purchased.

Example:

If the reporter purchases a buy option for shares in an industrial corporation, issued by a securities company, from a bank, then the transaction shall be reported in the calculation of revaluations of derivatives with securities company counterpart.

17.7 Revaluations of asset and liability items on the MFI form

Below is a description of the items on the special balance sheet for which revaluations should be calculated.

17.7.1 Asset items

Treasury bills, etc. eligible for refinancing

Changes in the value of *Treasury bills, etc. eligible for refinancing* that are due to changes in market value are reported as revaluations to the extent that they are not attributable to changes in exchange rates.

Lending

Changes in the value of *lending* that are due to write-downs and write-offs of loans are reported as revaluations (noted credit losses). Other changes in value are not included. Revaluation of lending also includes loans that MFI:s are administering for FVC and sold or securitized loans.

Bonds and other debt securities

Changes in the value of *Bonds and other debt securities* that are due to changes in market value are reported as revaluations to the extent that they are not attributable to changes in exchange rates.

Shares and participation rights

Changes in the value of *Shares and participation rights* that are due to changes in market value are reported as revaluations. The revaluations are calculated inclusive of exchange rate effects.

Intangible fixed assets

Amortisation and write-downs of *Intangible fixed assets* are reported as revaluations.

Tangible assets

Depreciation, write-downs and write-ups of *Tangible assets* are reported as revaluations. Other changes in value are not included.

Other assets

Revaluations are reported according to the instructions in section 17.6 in *derivative instruments* that are assets. For *other assets for protection of claims* and *other other assets* changes in value that are not due to purchases, sales or changes in exchange rates are reported as revaluations.

17.7.2 Liability items

Other liabilities

Revaluations are reported according to the instructions in section 17.6 in *derivative instruments* that are liabilities.

Under Other liabilities, other one reports the value changes as revaluations that are not due to purchasing and sales or currency exchange rate changes. This includes revaluation for short positions (security lending). See also 17.5

Provisions

Increases in Provisions are reported as revaluations. Reductions in *Provisions* are reported as revaluations to the extent that they are not due to an outflow.

Revaluations against revaluation reserve

Revaluations against revaluation reserve are treated as revaluations of both the asset and the revaluation reserve.

Other liability items

No revaluations should be calculated for the other items on the balance sheet.

APPENDIX 1

Example of revaluation in different kind of derivatives

To be able to report revaluations of derivatives, transactions first have to be calculated with the correct sign. The revaluation to be reported is then calculated as the following.

$$\text{Revaluation} = OB - IB - \text{Transactions}$$

For transactions of derivatives on the assets' side (positive market value); a positive cash flow (payment received) leads to a corresponding *negative transaction* on the assets' side, while a negative cash flow leads to a corresponding positive transaction on the assets' side.¹⁰

Derivatives on the liabilities' side (negative market value) produce a corresponding negative transaction on the liabilities' side. A positive cash flow for derivatives on the liability side produces a *positive* transaction.

Table: Summary of positive and negative cash flows in derivatives

	Positive cash flow	Negative cash flow
Assets' side (positive market value)	<i>Negative transaction</i>	<i>Positive transaction</i>
Liabilities' side (negative market value*)	<i>Positive transaction</i>	<i>Negative transaction</i>

* Balance information is to be reported with a positive sign, for example, derivative contracts with a market value of SEK -100 are reported as SEK 100 on the liabilities' side.

All purchases are positive transactions and all sales are negative transactions for derivatives on both the assets' and liabilities' side(s), when trading in a secondary market.

Revaluations of derivatives in the MFI form should be divided into one asset and one liability side. This makes a difference in sign in the MFI form compared with the Balance of payment form (FD31), when revaluating derivatives on the liability side or for derivatives that switches balance side. Changes in the market value post are included in the examples below in order to facilitate reconciliation with the FD31, in the MFI-form changes in market value, except transactions, are divided into revaluations for assets and liabilities respectively. The MFI does not require specification of paid or received payments (positive or negative cash flows), but these are transactions which are used to calculate revaluations. Although this is not reported in MFI.

¹⁰ For derivatives with zero market value when the contract is initiated, which is common for futures and swaps, the positive cash flow is equal to realised profit of the instrument and the negative cash flow with the realised loss. For options and secondary market trading is the market value nonzero.

1 Option contracts

1a The reporter buys a call option

A call option is bought in period 1 and the reporter pays an option premium. The full price of the premium is recorded as acquisition of a financial asset by the buyer and increase of a liability by the seller.

At the end of period 1, the value of the underlying stock has increased, which also increase the market value of the option contract.

Period 1

Option	IB	Neg. cash flow	Pos. cash flow	Transaction	Revaluations	OB
Market value	-	50	0	50	100	150
Assets	-	50	0	50	100	150
Liabilities	-	0	0	0	0	0

The negative cash flow is a positive transaction.

OB-IB -Transactions gives a revaluation of the asset side of $150-0-50 = 100$.

During period 2, the stock price drops below the strike price and hence the market value of the option becomes zero.

Period 2

Option	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	150	0	0	0	-150	0
Assets	150	0	0	0	-150	0
Liabilities	0	0	0	0	0	0

No cash flows in period 2, so the difference between OB and IB consist solely of revaluations. OB-IB-Transactions leads to a revaluations of $0-150-0=-150$ on the asset side.

Period 3: The stock price increase and therefore also the market value of the option. Cash settlement, the reporter gains the difference between stock value and the strike price.

Period 3

Option	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	0	0	60	-60	60	-
Assets	0	0	60	-60	60	-
Liabilities	0	0	0	0	0	-

The received payments (pos. cf.) become a negative transaction on the asset side. Revaluation on the asset side is therefore

$OB-IB-Transaction=0-0-(-60)=60$

1b The reporter issuing a call option

This example can also be seen as the reporter acting as the counterparty in example 1a. The reporter receives the option premium in period 1. The stock price increase in this period and therefor also the liability/debt increases.

Period 1

Option	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	-	0	50	- 50	- 100	-150
Assets	-	0	0	0	0	0
Liabilities	-	0	50	50	100	150

The received payment (positive cash flow) becomes a positive transaction on the liability side (liability increases), why the revaluation on the liability side become $OB-IB-Transaction = 150-0-50 = 100$.

The stock value is decreasing below the strike price during period 2, leading the market value for the option to be zero.

Period 2

Option	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	-150	0	0	0	150	0
Assets	0	0	0	0	0	0
Liabilities	150	0	0	0	-150	0

The total change in period 2 is made up of revaluations, since the period has no cash flows. Revaluation on the liability side is $OB-IB-Transaction = 0-150-0 = -150$.

Period 3: The stock price increase and therefore also the market value of the option. Cash settlement, the reporter gains the difference between stock value and the strike price.

Period 3

Option	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	0	60	0	60	-60	0
Assets	0	0	0	0	0	0
Liabilities	0	60	0	-60	60	0

The negative cash flow is a negative transaction on the liability side. Revaluation on the liability side is therefore $OB-IB-Transaction = 0-0-(-60) = 60$.

2 Forwards

2a The reporter enter into an agreement to buy a stock at a specified future time at a predetermined price

A forward has no initial premium. The underlying stock price increase during period 1, why also the value of the forward increase.

Period 1

Forward	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	-	0	0	0	100	100
Assets	-	0	0	0	100	100
Liabilities	-	0	0	0	0	0

No cash flows has been made in period 1, so revaluation is $OB-IB-Transactions=100-0-0=100$.

Period 2: stock price decrease below the strike price leading to a down valuation of the forward and the derivative becomes a liability.

Period 2

Forward	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	100	0	0	0	-200	-100
Assets	100	0	0	0	-100	0
Liabilities	0	0	0	0	100	100

The revaluation needs to be done on both asset and liability side, since the derivative switching from asset to liability when the stock value changes like above. Revaluation on the asset side is $OB-IB-Transaction=0-100-0=-100$ (asset decreases) and the revaluation on the liability side $OB-IB-Transaction=100-0-0=100$ (liability increase).

The forward expire in period 3. Before that, the stock increase and the forward switch to the asset side again. Cash settlement occurs.

Period 3

Forward	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	-100		100	0	200	-
Assets	0	0	100	-100	100	-
Liabilities	100	0	0	0	-100	-

Since the derivative is on the asset side when expire, the positive cash flow become a negative transaction. Revaluation on the asset side: $OB-IB-Transaction = 0-0-(-100)=100$.

The value change increases the asset side up to the expiration/maturity of the forward and the asset decrease. Due to that the forward switched side of the balance sheet compared to period 2, the revaluation of the liability side is $OB-IB-Transaction = 0-100-0=-100$.

3 Futures

A derivative that is included in the balance sheet with zero market value should be reported on the asset side. Future contracts traded on an exchange have daily settlement. This example assumes that the initial market value for the future contract is zero, though there are exceptions.

Period 1

Future	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
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Market value	-	0	200	-200	200	0
Assets	-	0	200	-200	200	0
Liabilities	-	0	0	0	0	0

Transactions of derivatives with zero market value are assigned to the asset side (derivatives that no longer remains in the balances sheet are attributed to the side they were on the last day of the transaction). The resulting margin payment becomes a negative transaction on the asset side, resulting in the following revaluation of the asset side: $OB-IB-Transaction = 0-0 - (-200) = 200$.

During period 2: The reporter is paying on-going settlement of 100 and receives 300 from the exchange. This gives a net profit of 200.

Period 2

Future	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	0	100	300	-200	200	0
Assets	0	100	300	-200	200	0
Liabilities	0	0	0	0	0	0

Since the derivative is on the asset side, the paid margin is a positive transaction and the received margin (payment) is a negative transaction. The aggregate transaction in period 2 is then: $100-300 = -200$, resulting in a revaluation of the asset side of $OB-IB-Transaction = 0-0 - (-200) = 200$.

A margin of 50 is received from the exchange in period 3, before the contract is expired.

Period 3

Future	IB	Neg cf	Pos cf	Transaction	Revaluations	OB
Market value	0	0	50	-50	50	-
Assets	0	0	50	-50	50	-
Liabilities	0	0	0	0	0	-

The resulting margin payment becomes a negative transaction on the asset side and the revaluation of the asset side is $OB-IB-Transaction = 0-0-(-50) = 50$.

4 Swap contracts

The reporter enters into a swap agreement where fixed rate is exchanged for floating interest rate on a bond. Beside that the reporter doesn't want any currency risk in EUR. On the exercise date, when also the bond matures, SEK is paid and EUR is received. The swap has therefore two legs of currencies and two legs of interest.

The agreement (contract) is initiated during period 1. No premium or similar payments are made at the start. Both the SEK exchange rate and the floating interest rate value are decreasing during period 1. When SEK exchange rate goes down the value of the swap goes up, while a fall in the floating interest rate decreases the value of the swap. In this example, the diminishing SEK currency rate is increasing the value of the swap with 1000, while the fall of interest rate decreases the value of the swap by 300. The net change in swap value is then an increase of 700.

Period 1

Swap	IB	Neg. Cf.	Pos. Cf.	Transaction	Revaluation	OB
Market value	-	0	0	0	700	700
Assets	-	0	0	0	700	700
Liabilities	-	0	0	0	0	0

Revaluation on asset side: $OB-IB-Transaction = 700-0-0=700$

During period 2, the SEK exchange rate is unchanged, while the floating interest rate falls. The value of the swap decreases but remains positive.

Period 2

Swap	IB	Neg. cf.	Pos. cf.	Transaction	Revaluation	OB
Market value	700	0	0	0	-500	200
Assets	700	0	0	0	-500	200
Liabilities	0	0	0	0	0	0

The revaluation of the asset side becomes: $OB-IB-Transaction = 200-700-0 = -500$.

The development of the SEK exchange rate is favourable to the reporter during period 3. The value of the swap increases. The reporter pays coupon on the bond. Since the floating rate is lower than the fixed rate, a payment to the derivative contract counterparty will take place.

Period 3

Swap	IB	Neg. cf	Pos. cf	Transaction	Revaluation	OB
Market value	200	500	0	500	3 800	4 500
Assets	200	500	0	500	3 800	4 500
Liabilities	0	0	0	0	0	0

The negative cash flow gives rise to a positive transaction, since the swap is on the asset side. The revaluation of the asset side is: $OB-IB-Transaction = 4500-200-500 = 3\ 800$.

During the period 4: SEK exchange rate increases and the floating rate drops. The market value of the swap is therefore negative.

Period 4

Swap	IB	Neg cf	Pos cf	Transaction	Revaluation	OB
Market value	4 500	0	0	0	-8 500	-4 000
Assets	4 500	0	0	0	-4 500	0
Liabilities	0	0	0	0	4 000	4 000

The swap contract change from an asset to a liability, why revaluations arising on both the asset and liability side. On the asset side, the revaluation $OB-IB-Transaction = 0-4500-0 = -4500$ and revaluation on the liability side is $4000-0-0 = 4\ 000$.

The swap matures in period 5. Until then, the market value of the swap has fallen even more. Reporter pays debt on 6 000 to the contract counterparty.

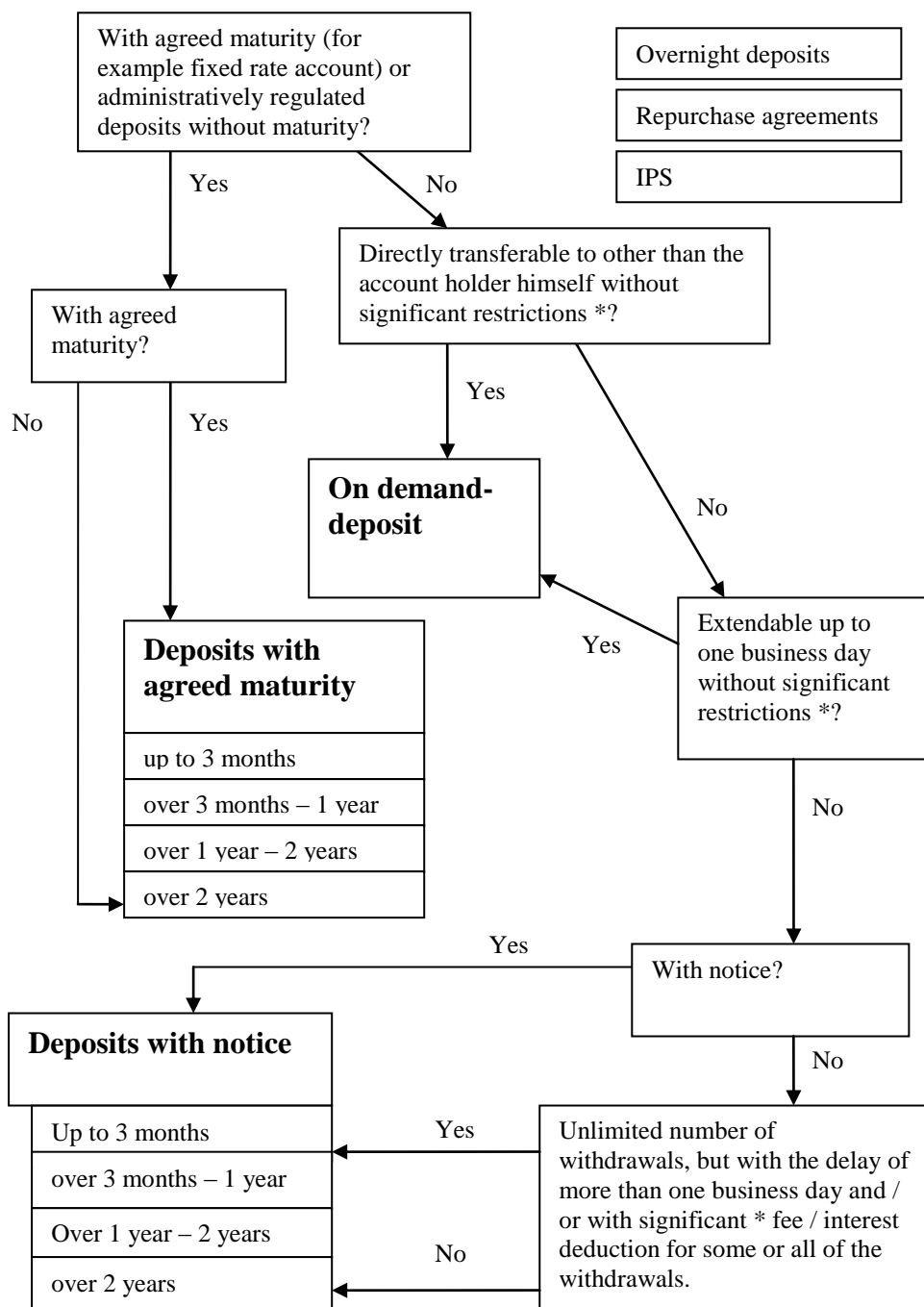
Period 5

Swap	IB	Neg. cf	Pos. cf	Transaction	Revaluation	OB
Market value	-4 000	6 000	0	6 000	-2 000	-
Assets	0	0	0	0	0	-
Liabilities	4 000	6 000	0	-6000	2 000	-

The swap is on the liability side when it expires in period 5, so the negative cash flow (termination date/maturity) is a negative transaction on the liability side. The revaluation of the liability side becomes $OB-IB-Transaction = 0-4000 - (-6000) = 2000$.

APPENDIX 2

Decision tree for classification of deposits and borrowing



* With significant restriction is considered fee/deterioration that amount to more than 0.5 percent of the withdrawal amount if the fee is expressed as a percentage of the withdrawal amount. If the withdrawal fee is expressed as a predetermined amount a withdrawal amount of more than SEK 15 per withdrawal is considered significant. An account with limited number of free withdrawals per year also counts as a significant restriction.

Appendix 3

A Swedish company that imports goods open a documentary credit with the reporter that constitute payment guarantee of SEK 20 million for the exporter in the EMU. A Swedish export company ask the reporter to get a letter of credit confirmed that the company will be paid even if political instability will prevent the (documentary issuing) bank in other country from fulfilling their commitment. This is reported as SEK 20 million with counterpart EMU (opened letter of credit), and SEK 10 million with counterpart in Sweden (confirmed letter of credit).

