



Finansinspektionen's supervision priorities for 2024

A well-functioning financial system is a prerequisite for a functioning economy. A financial system should be stable and marked by a high degree of confidence and strong consumer protection. The financial market should also meet households' and firms' needs for financial services and contribute to a sustainable development. FI's mandate is to supervise the financial sector to ensure firms are compliant with the rules and the sector is functioning well.

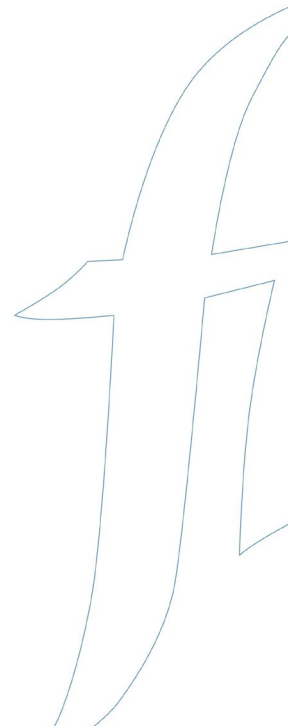
However, the financial market is large and complex, and we have limited resources. We cannot be everywhere, all the time. One condition for us to be able to carry out our mandate is that we conduct what we call effective and communicative supervision.

Effective supervision means that we apply a risk-based approach to our work and direct our resources to where we consider they will provide most benefit. We analyse where the largest risks are in each area and direct our efforts there. We follow, monitor, review and intervene.

Communicative supervision means that it should be clear what expectations and demands we place on the firms under our supervision as well as what consequences firms can expect if they do not comply with the rules. Our communication can also enable us to increase consumer knowledge and give consumers tools to make smart financial decisions based on solid grounds.

We use the risk-based method of working to identify a number of areas and risks that we will look more closely at during the coming year. These areas are important for our mandate, and we also see a need for more supervision than normal in these areas.

We must also be prepared to re-prioritise our resources to handle unexpected events.



Supervision priorities for 2024

We will monitor how the financial sector handles a changed economic environment with higher interest rates and lower growth

The past year has been marked by high inflation, increased interest rates, and falling asset prices. This is forcing firms around the world to adapt to a new economic situation. The rapid economic changes are creating an environment that could quickly expose stability risks both in Sweden and abroad. The financial system needs to be able to manage such an environment.

One obvious risk is that higher interest rates could mean that more households and firms will find it difficult to pay the interest on their loans. We are seeing particularly large challenges for highly leveraged households and firms. One sector that is facing large challenges is the commercial real estate sector. Many commercial real estate firms need to lower their debt to ensure that their business model is sustainable in the long run. If the firms fail at this, there is a risk that lenders will experience credit losses. We will therefore review that financial corporations are following up on credit risks, and we are monitoring in detail how Swedish banks are impacted.

We have also seen that firms have increased their risk-taking over the past decade and to a greater extent invested in other types of assets in their hunt for returns. This can introduce new risks, and we will review during the year that firms have established controls and are properly managing their risks. In addition to risks in investments, a key area is how banks and insurance companies are managing new conditions linked to extreme weather events or new regulations.

We will review that the financial sector can deliver crucial services in an uncertain environment

Uncertainty and unrest have increased in the world around us. Russia's attack on Ukraine has drastically changed the view on safety in our immediate surroundings. The situation in Sweden has declined in the past year, and the Swedish Security Service has raised the terrorist threat level. Increased uncertainty affects the financial system.

We are seeing more of a focus on Sweden, particularly through cyber attacks. Therefore, we will focus specifically during the year on how financial corporations ensure that they are resilient to new risks and threats.

These corporations' financial services are almost exclusively digital and at the same time critical for society, and many of their key operations have been outsourced. How well are the financial corporations monitoring these outsourced activities? Given the changes occurring on a global scale, we will be especially observant about questions like these as well.

We will review that financial corporations are doing what they should to protect themselves from being used for criminal purposes

Society as a whole needs to come together to fight organised crime. One type of crime that is growing rapidly is fraud, which is currently estimated to be a large source of revenue for criminal gangs. This applies in particular to investment fraud.

Providing Swedish consumers with the tools to avoid being misled is important, but banks and payment service companies are also responsible for preventing their services and products from being used for fraud. We will monitor how well these efforts are working.

There also continues to be a high risk that the financial system is being used by criminals to launder money. This is serious and drives organised crime. At the same time, there is still a risk that the financial system is being used to finance terrorism or to avoid international sanctions decided by the EU Council. We will therefore review what financial corporations are doing to mitigate the risk of their services being used for criminal purposes. This applies not least to smaller and mid-size firms or organisations that handle cash and cryptoassets.

We will review that consumers are being offered correct and good services on the financial market

Consumers should be able to trust the financial market and be confident that they are being offered the right products and services at reasonable prices. Strong consumer protection is key for a high degree of confidence, which means that financial corporations are offering consumers products and services that the consumers need and want, and not those that are most profitable for the corporation. Advisors must consider customers' preferences, and the products should live up to their promises. This is not always the case. For example, a product may not be what the consumer thinks it is or it may be associated with unnecessary costs. Therefore, we will review that consumers are being offered correct and good products and services on the financial market. We will also continue to review the risk of greenwashing and other sustainability-related risks.

The number of consumer loans is increasing rapidly. During difficult times, such as economic downturns, some households might feel forced to use consumer credit to

make their daily finances work. Many end up registered with the Swedish Enforcement Authority, and those that do must pay back increasingly larger amounts. The increase in the number of young adults in this group is large. It is therefore important that the firms, and primarily those referred to as instant loan firms, not give loans to consumers who cannot pay back the loan. We will review this topic during the year.

We will also review this year the risk that consumers will find themselves excluded from the financial market, which includes, for example, having difficulty gaining access to a payment account or being denied access to various payment services that are necessary for day-to-day activities.