

The financial stability situation

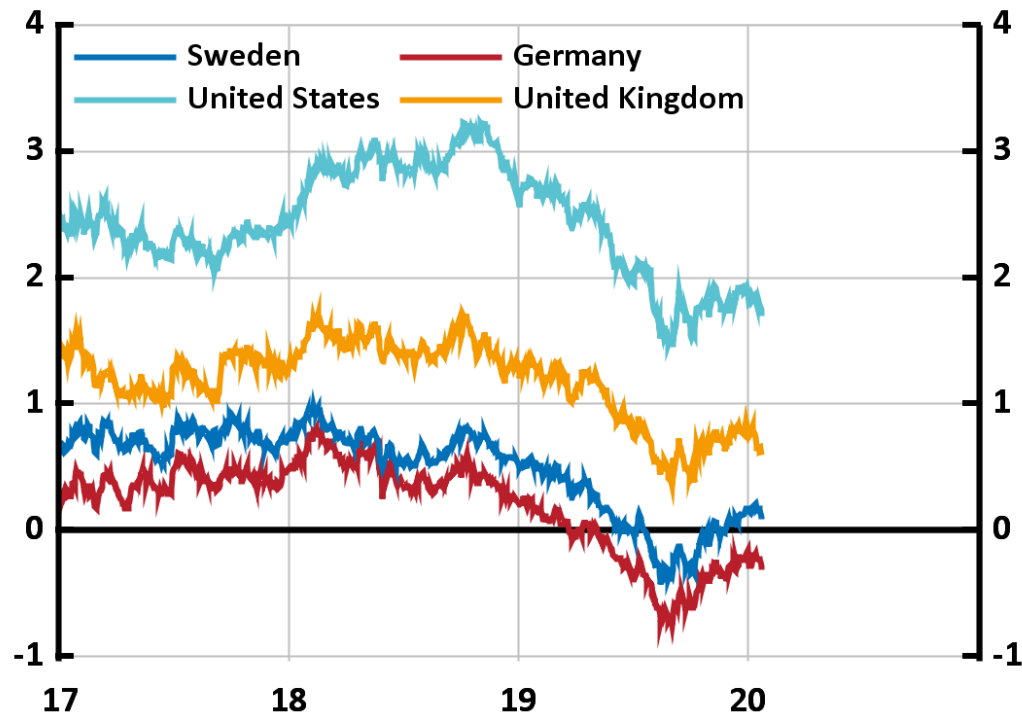
Riksdag Committee on Finance
28 January 2020

S V E R I G E S R I K S B A N K

Governor of the Riksbank
Stefan Ingves

Expectations of low interest rates for a long time may lead to challenges for financial stability

Low government bond yields



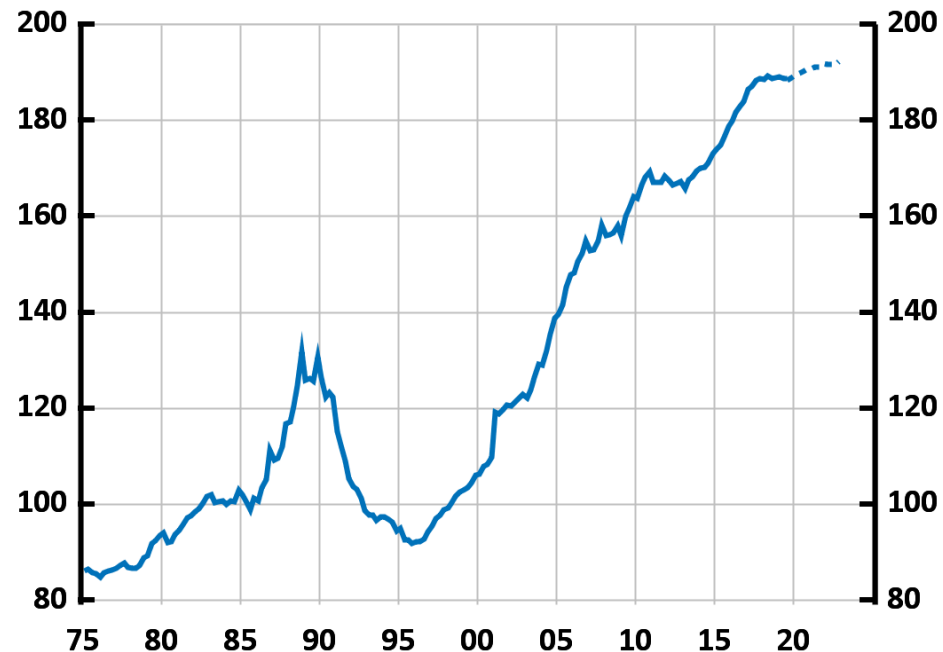
- Risk-taking may increase
- Assets may become overvalued
- Indebtedness may rise unsustainably

Per cent. Yields on 10-year government bonds.

Sources: The national central banks and the Riksbank

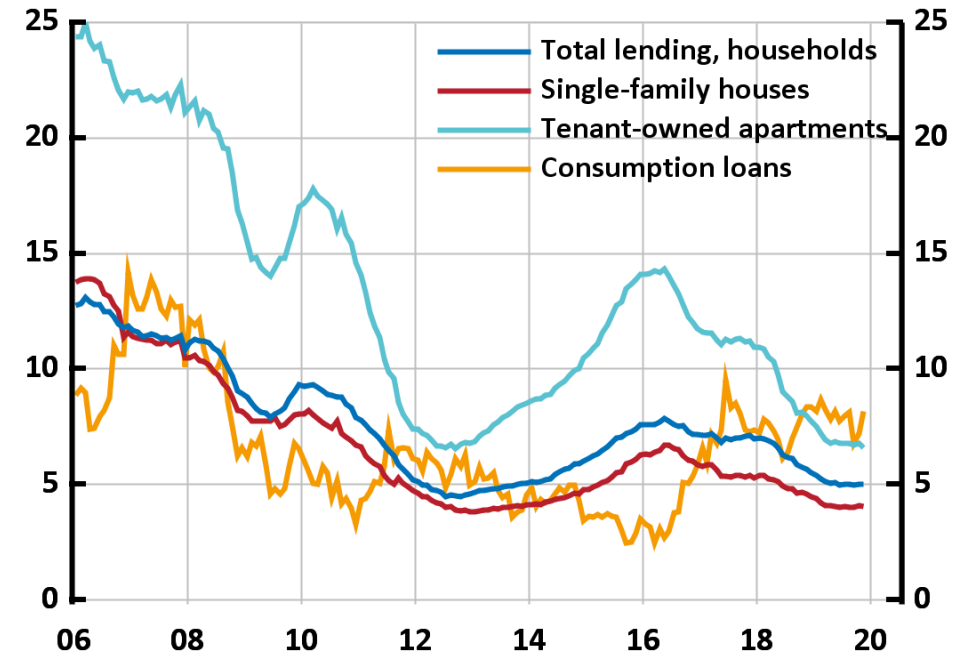
Household indebtedness – the largest domestic risk

Debt is still high...



Total household debt as a share of disposable household income summed over the past four quarters. The dashed line represents the Riksbank's forecast.

... but growing at a slightly slower pace

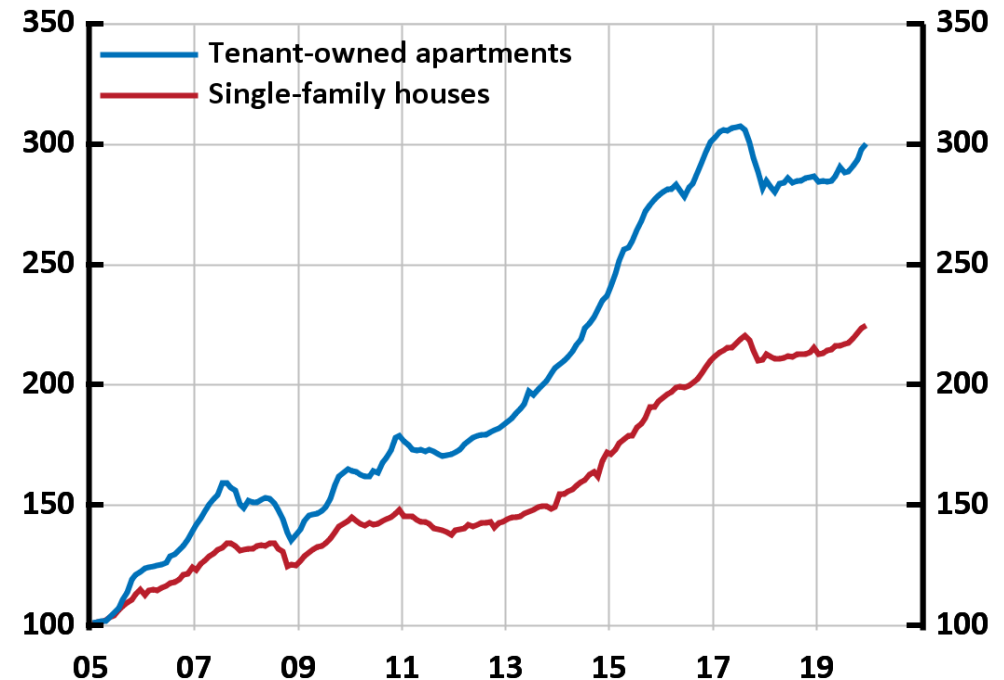


Debt growth, annual percentage change. Refers to loans from monetary financial institutions (MFIs).

Sources: Statistics Sweden and the Riksbank

Problems on the housing market need to be managed

- Housing prices have stabilised, but uncertainty remains
- Housing market functioning poorly
- Important that tax and housing policy manage the problems – sporadic measures not enough

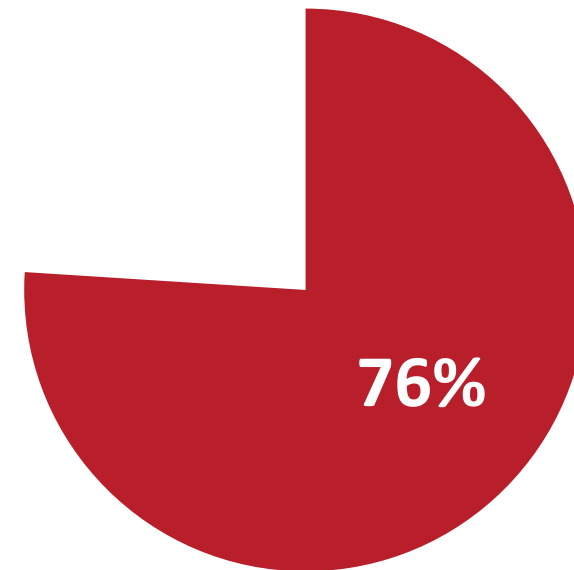


Housing prices in Sweden, index 2005=100. Housing prices are seasonally-adjusted.

Sources: Valueguard and the Riksbank

There are vulnerabilities in the banking system

- Large banking system, high degree of interconnectedness
- Swedish banks have substantial exposure to housing and commercial property
- Dependence on wholesale funding



The chart refers to the percentage share of lending from Monetary Financial Institutions to households and companies that is against collateral in property.

Source: Statistics Sweden

FinTech and cyber threats

– How is financial stability
affected?

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Financial services under constant technological development

- Technological development in the financial sector is nothing new
- Change is occurring gradually
- Securities have been digital for a long time



Different players investing in FinTech

- Agile, innovative financial companies
- Established financial companies starting to use new technical innovations
- BigTech companies expanding into financial services



Potential risks of FinTech

- Security improvements not keeping up with technological developments
- New and old technology must work together
- New players can proliferate very quickly



Structural changes affect financial companies...

- Digitalisation and globalisation
- Financial infrastructure undergoing technological shift
- Constantly increasing interconnectedness and complexity



... this involves rising operational risks for financial companies

- Very difficult to gain an overview of all interdependencies
- Contagion risks
- Concentration risks
- Cyber risks



Cyber risks present new challenges

- Cyber attacks will succeed
- The cyber threat is both cross-sectoral and cross-border
- **A cyber attack can constitute a systemic risk**



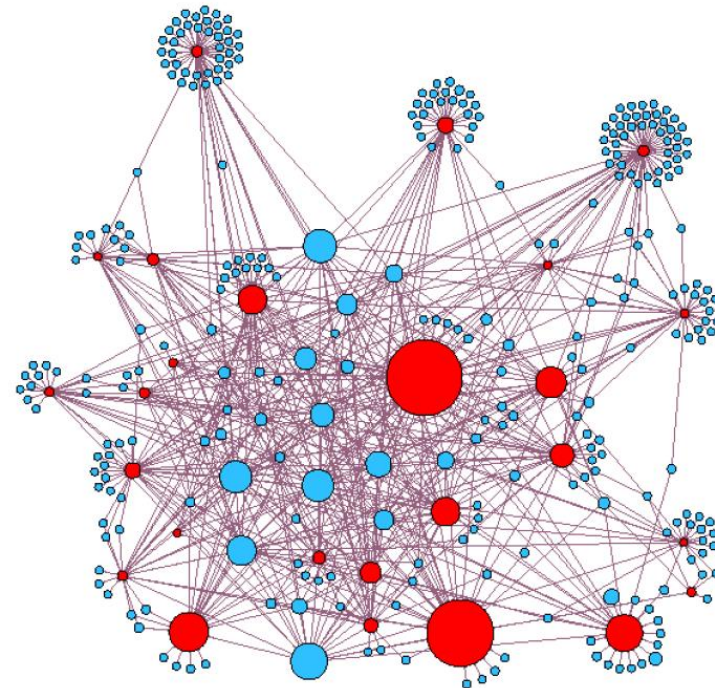
Cyber risks in focus for the Riksbank

- Strengthened preparedness
- The Riksbank is improving resilience to cyber risks
- National and international cooperation



Resilience in the Swedish financial system

- Cyber risks of greater significance in the financial stability analysis
- Important for the financial sector to achieve a fundamental level of resilience



Source: Analysis of Central Clearing Interdependencies, August 2018.
BIS, CPMI, FSB and IOSCO.

The Riksbank is coordinating TIBER-SE¹

- Testing resilience in a standardised manner
- The Riksbank has a driving and coordinating role
- Tested entities are hiring external suppliers to perform the actual tests

1. TIBER is short for Threat-Intelligence-based Ethical Red Teaming.

