

# **The adaptable survives #7**

**- The effects of increased regulation of banks**

**Report on the 2021 survey**

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## Foreword

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

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

I want to give a special thanks to the Bankers Associations in Denmark, Finland and Sweden, as well as the Swedish Savings Bank Association ("*Sparbankernas Riksförbund*"), for making this annual survey possible and to all colleagues in the banking industry for dedicating their time to answer.

Also, thanks to Viktor Elliot, Ph.D. Senior Lecturer, at the School of Business, Law and Economics at University of Gothenburg for all cooperation and support.

During 2021 myself, Viktor Elliot and Louise Hedqvist, have started a sister survey among the Swedish insurance companies. This is done because the insurance industry share many of the challenges of the Banking industry. We are excited to be able to compare the industries in the future.

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### About the author:

Torbjörn Jacobsson has from a risk, finance, and IT perspective developed smaller banks in growth journeys for more than 20 years. He has been an active member of several Swedish Bankers Association committees. That has given him a broad experience and knowledge about banks conditions, regulations, and how an effective risk management can support the business and customer experience. He works daily with regulation and risk management as vice-chairman of the board in Sörmlands Sparbank, board member of Loomis Digital Solutions, co-founder of FinTech Africa/Mtaji Wetu Finance Tanzania, and within his own consultancy firm. He has also previously worked as CRO at Avida Finans and Marginalen Bank, where he also has been CFO and CIO. Torbjörn has an Executive MBA from Stockholm Business School / Stockholm University.

The author is a frequent speaker at conferences and educator at several universities. He was a finalist of the Swedish award GRC profile of the year 2016.

## **Executive summery**

The annual survey examines the effects of regulatory change in Nordic banking industry. The survey focuses on three areas: regulation, competition, and processes & leadership.

The aim of the survey, and the related studies, is to understand the ongoing change in the regulatory environment and its implication for the banking industry. The survey also includes questions about digitalisation and ESG. The response rate in the seventh annual was reduced in percentage but still have almost 200 answers, and as such offers a comprehensive overview of the industry.

During the current circumstances we must also account for the Covid-19 pandemic and a few questions in the survey are dedicated towards this end. The result of the 2021 survey shows that the regulatory actions are still well received by the industry representatives. The respondents indicated, to an even greater extent than in 2020, an increased risk level on capital, liquidity, and market risk.

With climate change and sustainability on the news daily the financial markets are required to take its responsibility. The pressure is not only from regulators but also from customers and investors making it a hot topic in the banking industry. Some new questions were added last year to the survey relating to how well the banks processes are adapted to the ESG requirements. The result 2021 shows that bank employees are less optimistic about the quality of their ESG processes, while the group Others are more optimistic about the banks' capabilities within this domain compared to last year. That is good news and gives a more moderate view on the bank's readiness in this topic.

The third-year result relating to communication with the national FSAs together with the questions of the regulations clarity and certainty in follow up, show a mixed message. The communication is not improving but over a long-term view the regulation is viewed as slightly clearer than in 2015/2016. The respondents also want to see more proportionality in the regulation between small and large banks.

In the long-term perspective the respondents slowly adopt the regulatory changes on processes and leadership. Two things stand out: The banks organisations are more in line with the processes now than six years ago and the difficulties of recruiting outside the banking industry remains.

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

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## **1. Introduction**

*The focus of this report is like previous years: the increased regulatory effects and the risk of a bank<sup>1</sup> myopia. Myopia here refers to failure to detect important changes in the outside world and thus, in time, failure in adapting the business model to changing customer behaviour. The study has three focus areas.*

- 1. How the regulation is interpreted, implemented, and adapted in banks*
- 2. Competition between banks and other financial actors<sup>2</sup> that do not fall under the same regulation*
- 3. Influence of regulation on banks' processes and leadership.*

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

### **1.1. Banks and its regulation**

For readers who do not themselves work in the banking industry, it is recommended to read the author's thesis "Den anpassningsbare överlever" (The adaptable survives) (2015) for background information relevant to understand this report. The thesis is available in full and as an executive version at [www.jacobsson.se](http://www.jacobsson.se). The thesis is in Swedish.

Appendix 1 – "The bank regulation" contains a description of bank regulation.

### **1.2. Limitations**

The report:

- Only includes a casual review of bank regulation outside the risk management area.
- Do not focus on the effects of regulation on other financial institutions, finance companies or shadow banks, collectively named other financial actors.
- Do not to analyse the consequences of non-compliance with the regulation and subsequent regulatory measures.
- Only casually discusses technological change and other environmental factors.

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

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

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

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

## 2. Method

*The author studies the questions with qualitative method. The 2021 survey is somewhat developed compared with previous years. The survey is sent to a wide group of professionals active in the banking sector. The survey contains both predefined answer options and open response questions.*



### 2.1. Survey formation

The data collection is done with an empirical study through a survey verified by an expert panel (2015), a survey design expert (2016) and a researcher at the School of Business, Law and Economics at University of Gothenburg (2018-2021). The Web-based surveys consists of two versions, one for bank employees and one for other banking professionals. Both surveys contain the same questions, the difference is how the questions are formulated. It is an empirical study based on the knowledge of the author and respondents about banks and banking regulation.

### 2.2. Identifying recipients

The survey recipients consist primarily of persons who are members of a committee in the Swedish Bankers Association relating to capital adequacy, liquidity, legal, compliance or operational risks, or within the equivalent committees with the Swedish Savings Bank Association, Finance Denmark or Finance Finland, and persons with whom the author has a professional relationship with. Finance Norway have been part of the survey 2018-2020 but due to lack of resources they had to take a passive role this year. Nevertheless, there is some respondents from Norway also this year. The selection has been made on the basis that they are expected to provide a comprehensive view of the questions based on the banks' internal perspective. The recipients are categorized in Bank employees or Others. The group Others consist of persons employed at consultancy companies, universities, authorities, or independent board members.

### 2.3. Distribution

The survey is conducted via the web where recipients receive a link sent by e-mail together with information about the survey. The information contains a description of the purpose, scope, volunteering of answering the questionnaire and guaranteeing anonymity. The associations in each country have distributed the email to their members as from 2019.

### 2.4. Analysis

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

### 3. Result and analysis

The 2021 survey received a 13 percent response rate, 187 replies. This report will focus on some of the long-term trends as well as the pandemic and ESG.

This year the number of responses in Sweden decreased while the responses in Denmark increased and Finland/Norway was stable. The process of reminding in Sweden was somewhat change with fewer number of reminders. That together with the pandemic made it difficult to get the survey out and prioritized. See Table 1 - Respondents by country and year.

New findings are:

- The respondents are finding the risks to increase due to the Covid-19 pandemic, largest increase in Market risk.
- The respondents give a view that banks are improving on the ESG requirements.
- That over a six-year period the respondents show and improved result in how clear the regulation is.
- During the same six-year period the respondents are more disagreeing that the proportionality in the regulation is enough between smaller and larger banks.
- The banks organisations are more in line with the processes
- The difficulties in recruiting outside the banking industry remains

The results of the 2021 survey might be affected by the increased number of recipients (+25%) and respondents (-26%). The increase of recipients stems primarily from Danish banks (+1 000%). Response rates for all surveys are reported in Table 1 - Respondents by country and year. This is the fourth year that the survey was submitted outside Sweden. Still most respondents are from Sweden as shown in Table 1, most recipients (69 percent) and respondents (91 percent).

**Table 1 - Respondents by country and year**

| Country    | 2021     |        |      | 2020     |        |      | 2019     |        |      | 2018     |        |      |
|------------|----------|--------|------|----------|--------|------|----------|--------|------|----------|--------|------|
|            | Received | Answer | Rate | Received | Answer | Rate | Received | Answer | Rate | Received | Answer | Rate |
| Sweden     | 1007     | 171    | 17%  | 995      | 243    | 24%  | 546      | 154    | 28%  | 457      | 169    | 37%  |
| Norway     | 47       | 5      | 11%  | 59       | 6      | 10%  | 94       | 17     | 18%  | 66       | 12     | 18%  |
| Finland    | 105      | 3      | 3%   | 66       | 2      | 3%   | 48       | 6      | 13%  | 20       | 1      | 5%   |
| Denmark    | 268      | 8      | 3%   | 24       | 3      | 13%  | 103      | 19     | 18%  | 35       | 8      | 23%  |
| Total      | 1427     | 187    | 13%  | 1144     | 254    | 22%  | 791      | 196    | 25%  | 578      | 190    | 33%  |
| Change YoY | 25%      | -26%   |      | 45%      | 30%    |      | 37%      | 3%     |      | 70%      | 56%    |      |

Appendix 2 – Respondents, contains a more comprehensive description of the respondents.

For the further analysis, we separate between large (>500bn SEK - 50bn EUR in total assets), medium (50-500bn SEK – 5-50bn EUR in total assets) and small (<50bn SEK or 5bn EUR in total assets) banks.

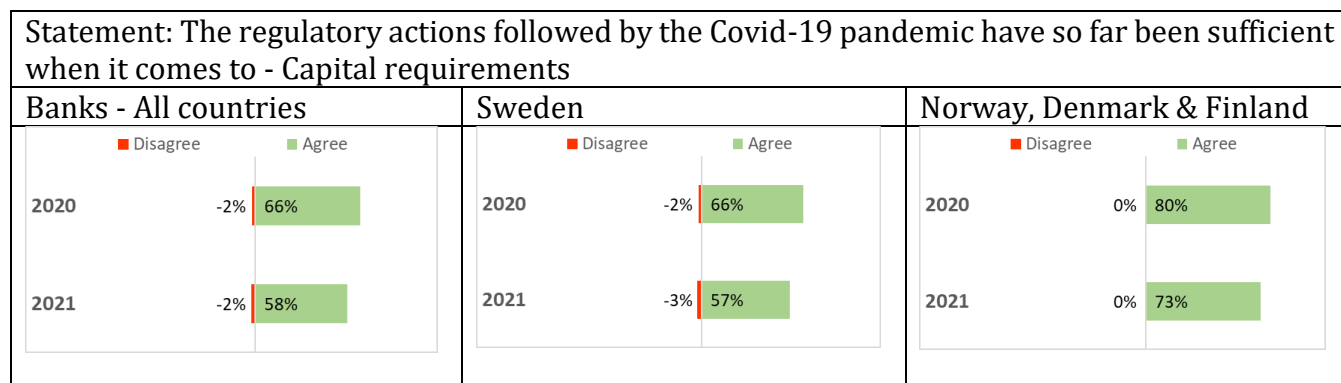
Appendix 3 – Comparison 2021 with 2018-2020 shows some graphics where the results did not change much to 2021, and the reader can further analyse these numbers. Instead, the focus here is on “what’s new”: for example, areas with clear trends, major differences between countries or between bank employees and the group of others (“Others”).

### 3.1. The Covid-19 pandemic

*In the second year of the pandemic the respondents have increased the view on increased risk. Largest increase is in Market risk. The respondents are still generally positive to the actions that took place in the regulatory landscape because of the covid-19 pandemic.*

This was a new question in the 2020 survey, and respondents answered it appr. six months after the pandemic started.

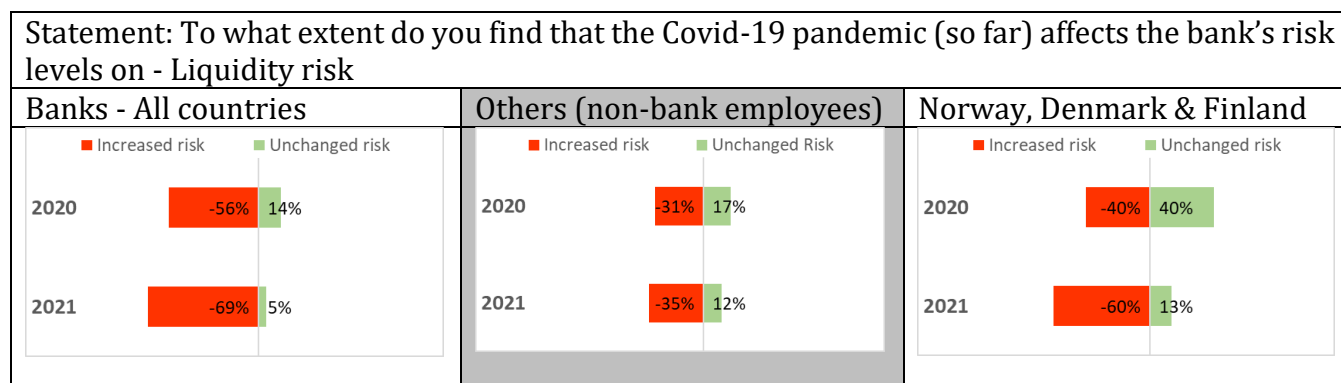
**Figure 1 – Regulatory actions**



The response was the same on Liquidity requirements. The group Others was a little more neutral than the bank respondents.

Relating “Reporting requirements”, “Implementation and/or change of regulation” or “Governmental support actions to the public via the financial sector”, the response was slightly less positive with 7% - 12% disagreeing and 48-56% agreeing with the statement for both years.

**Figure 2 – Risk levels due to the Covid-19 pandemic**



The response was the same on Capital risks.

Related to “Operational risk” or “Cyber risk”, the respondents were slightly less negative with 40% - 46% for increased risk and 17-25% for unchanged risk. The lowest numbers on increased risk were for Cyber risk. For “Market risk” did the 2021 respondents see an increased risk, increasing from 44% to 57% and unchanged risk reduced from 17% to 11%.

The group Others selected unchanged risk to a much larger degree than the bankers in 2020 where the highest number was on Cyber risk where 48% indicated unchanged risk. In 2021 these numbers reduced but still higher than the bank employees. The group Others also had “Market risk” as the largest risk increase.



### 3.2. ESG risks

The answers here shows that banks are stepping up to be on top of ESG requirements. The group Other is much more critical than bank employee respondents relating how well the banks processes are well-adapted to ESG requirements.

This was a new question in the 2020 survey, and it was added to better understand how the respondents view the ESG (Environmental, Social & Governance) risks. From a regulatory and political perspective, the financial industry including banks have an important role in the ongoing change towards more sustainable societies. The questions are therefore on top of agendas and the questions was added to better understand how banks are preparing in this area.

There have during 2021 been a significant increase in the judgement of the bank employee’s knowledge on ESG requirements. At the same time Others have rated their knowledge less good.

Figure 3 - Knowledge on implications of the ESG requirements for banks

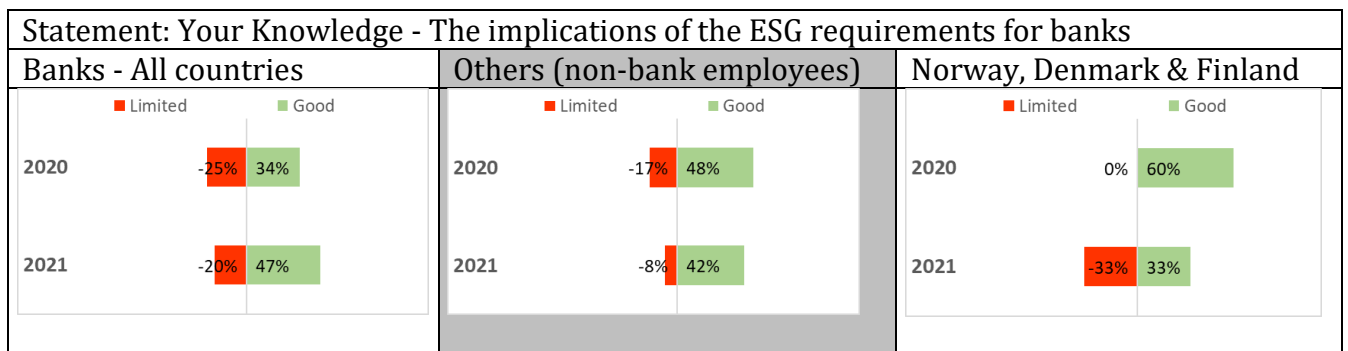
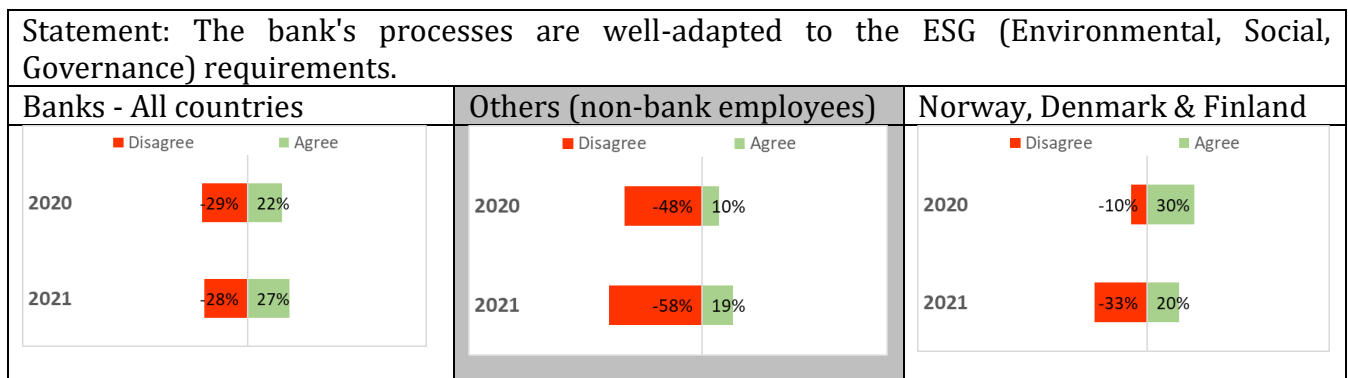


Figure 4 – Well-adapted processes to ESG requirements



The response on “My bank is quick to adapt its business models to the ESG (Environmental, Social, Governance) requirements” had bank employees a higher rate on agree in 2021, an increase from 26% to 40%, with the same level on disagreeing (appr. 20%).

### 3.3. Regulation and Communication with national FSA

There is over a six-year period some improvements in the view of the regulations but still difficult for the Bank employees to feel certain on how the regulators will follow up the bank. The answers still confirm the general critique of the regulatory framework. The positive trend regarding communication with FSA between 2019 and 2020 have not continued to 2021.

Over the years of the survey the Bank employees have around 40% reported that the regulation isn't clear and over 50% that the regulators are not sufficiently clear in their instructions. But over six years we can see a trend of improvement on clear rules and on the uncertainty of how to be followed up.

Figure 5 - The rules are clear

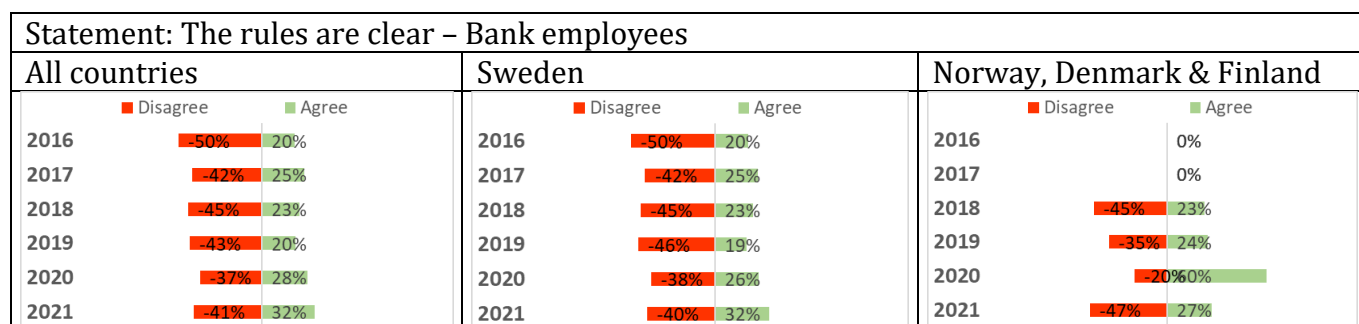


Figure 6 - Regulators are sufficiently clear...

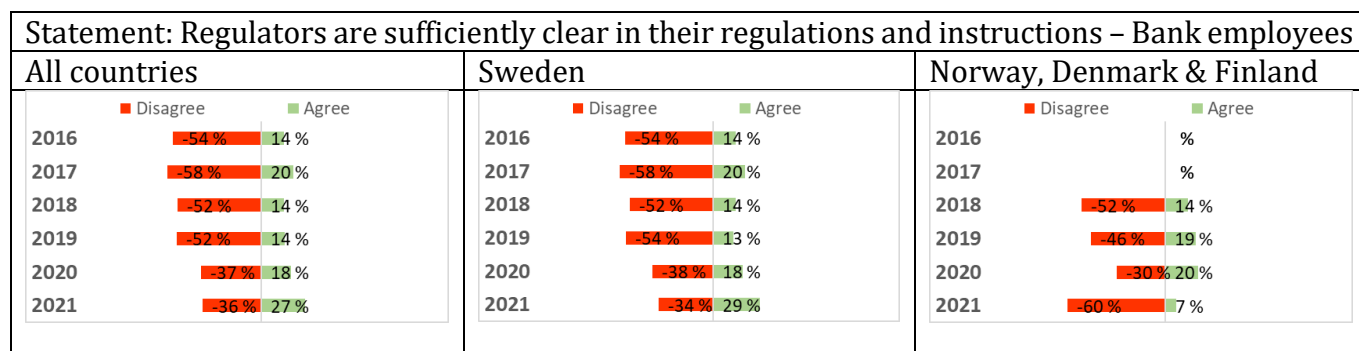
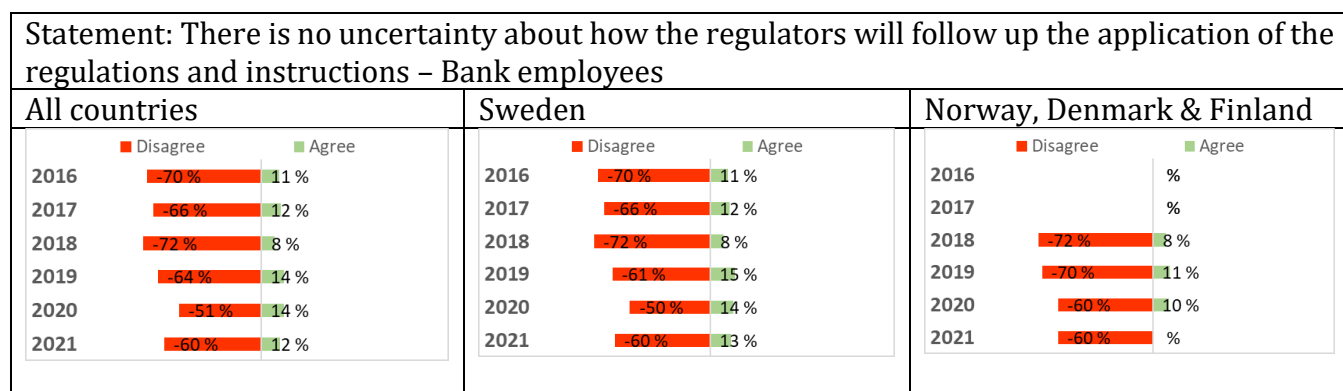
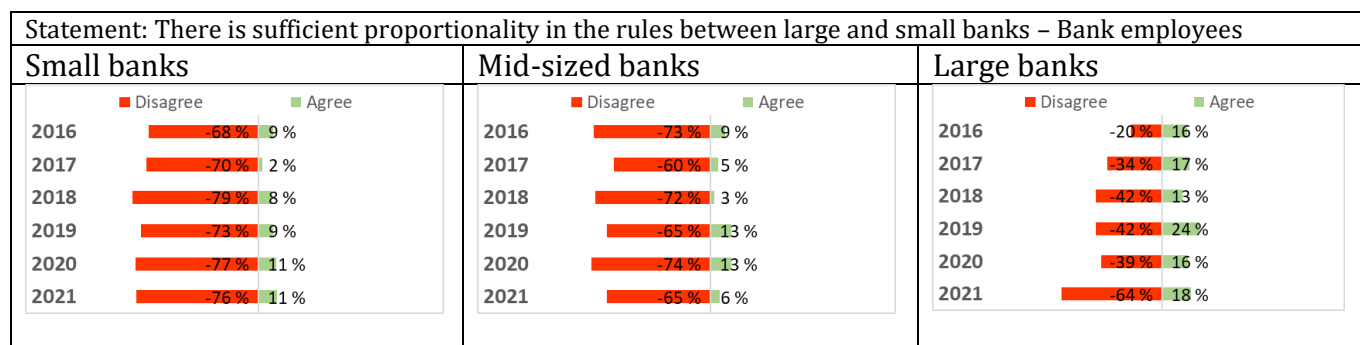


Figure 7 – There is no uncertainty...



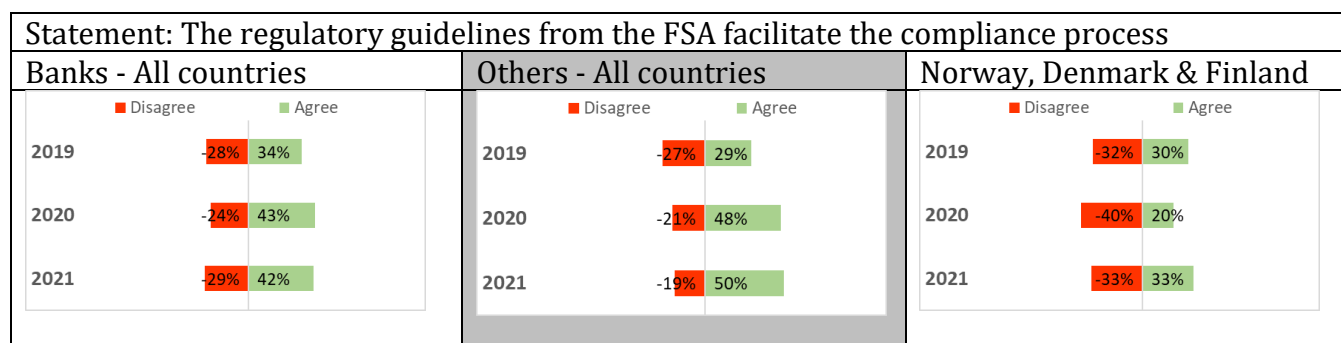
On proportionality Bank employees in both small and large banks are disagreeing more in 2021 than in 2016.

Figure 8 - Proportionality



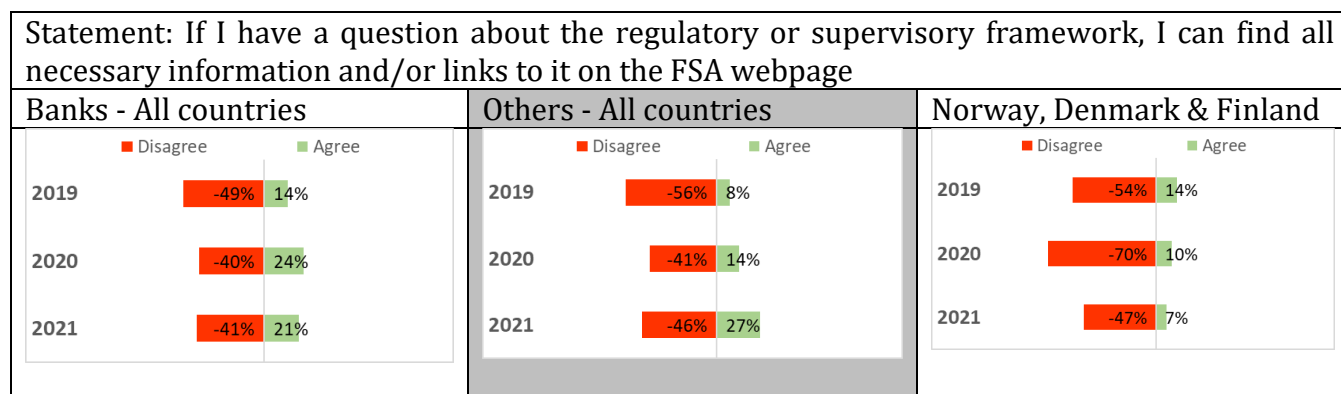
The questions on FSA communications were new in the 2019 survey, and it was added to better understand how the respondents view the communication with/from the FSA. The last year did not improve the results as between 2019 and 2020, a little worse if you expect the FSA guidelines to facilitate the compliance processes.

Figure 9 - Guidelines from the FSA



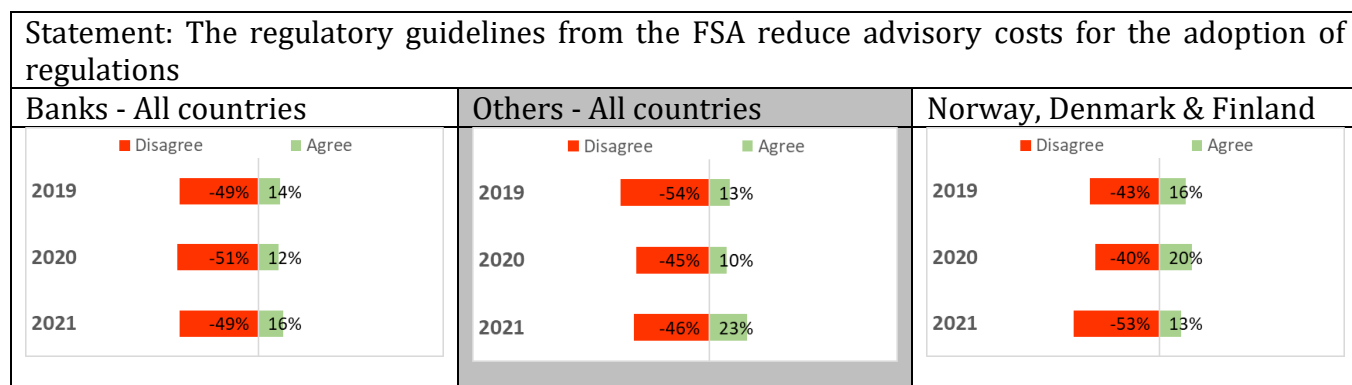
Still banks find it difficult to locate the necessary information on the webpage, a result that has slightly improved from last year in Norway, Denmark & Finland, but not in Sweden.

Figure 10 – Finding information



The guidelines do not reduce advisory costs in the banks as the results stabilised at a level of 50% disagreeing.

Figure 11 – Reducing advisory costs



### 3.4. Effects on banks – product and process

The respondents are slowly adopting to the regulation, or at least are not responding that the issues are relating to regulation.

The figures below should all be viewed in the long-term perspective. Restriction due to capital is reduced and competitiveness are less effected. The organisations are now more well aligned with the processes, but the processes are less unique and the initial improvement on clear and systematic processes are not as good now. But with large variations between Sweden and the other Nordic countries. That is like the results in report #5 (2019) where the countries were compared.

Figure 12 – Restrictions on product offer

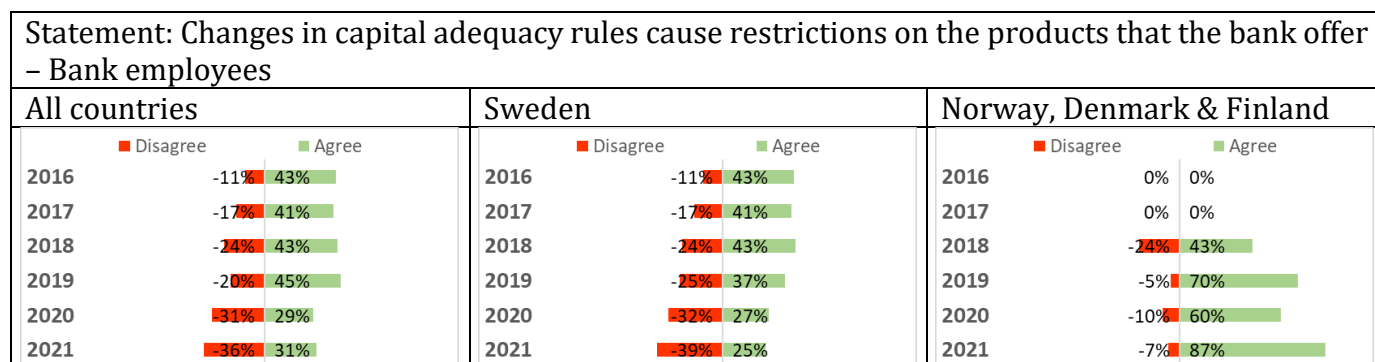


Figure 13 – Detailed regulation – strengthen competitiveness

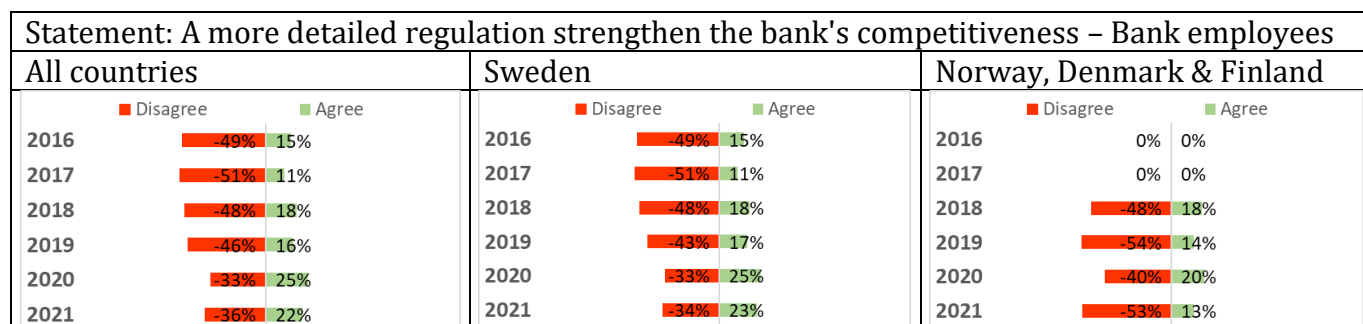


Figure 14 – Organization well aligned

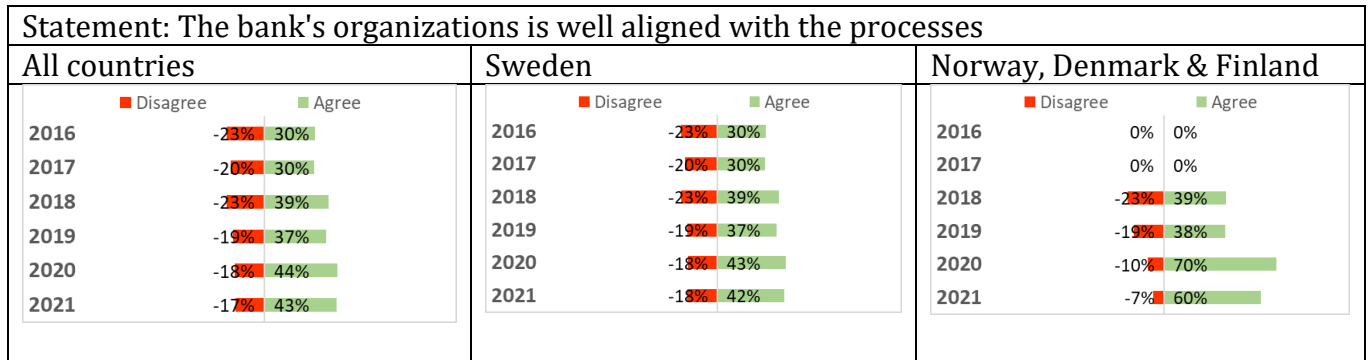


Figure 15 - Unique processes

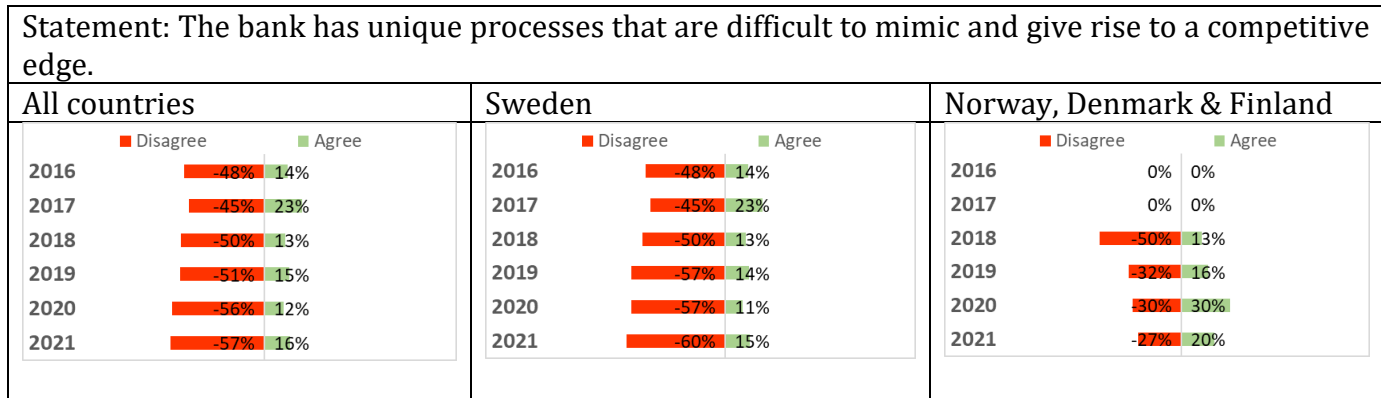
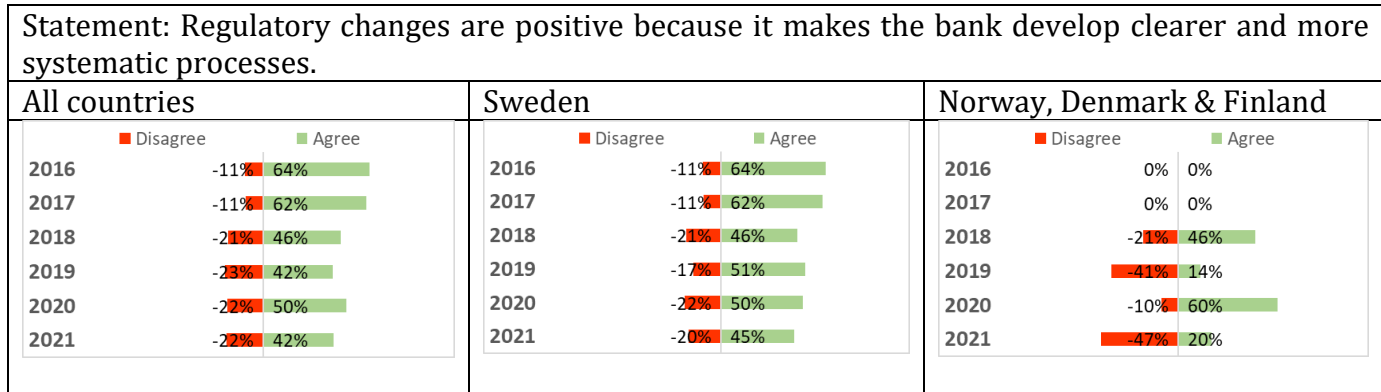


Figure 16 – Regulatory change is positive for clear and systematic processes



### 3.5. Leadership

*It is still hard to recruit outside the banking industry, but it has during the six-year period been a little easier to recruit managers. The initial view that managers needed to be more formalistic have reduced somewhat over time.*

In the long-term view below it is shown some trends or non-trends. That recruiting outside the banking industry is difficult have not changed during the six-year period.

Figure 17 - More difficult to recruit managers

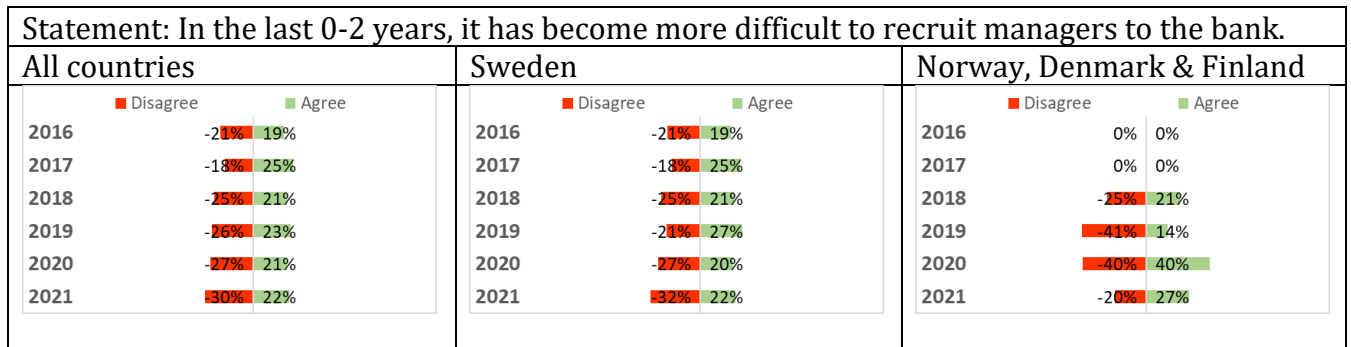


Figure 18 - More difficult for managers recruited outside the banks

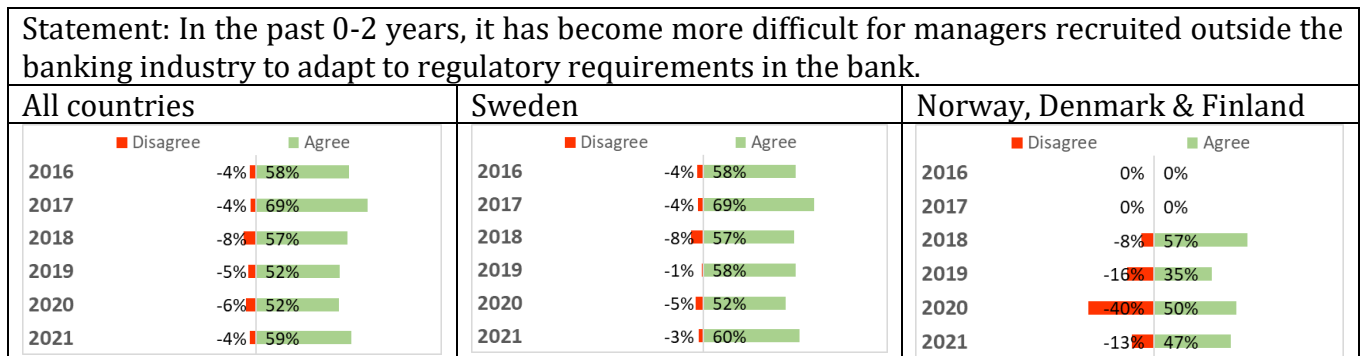
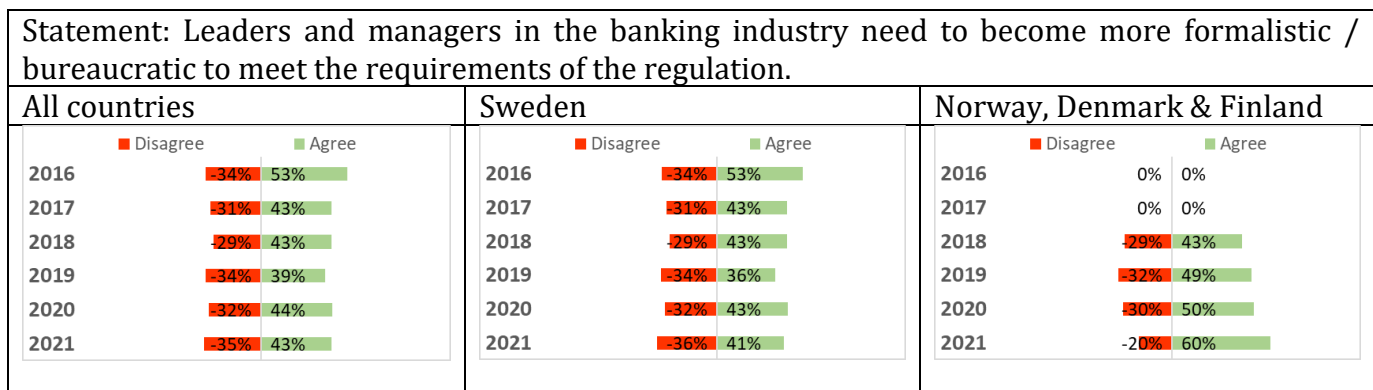


Figure 19 – Managers need to be formalistic



## 4. Conclusions

*The conclusions stand year by year, “the effects of increased regulation on Nordic banks are still extensive”. But some improvements are viewed.*

Most of the respondents indicates an increasing risk after one and a half year of the Covid-19 pandemic compared with after six months into the pandemic. If the increased risk is just an effect of the pandemic or because of the pandemic coming after a long time of positive market growth with low interest rates can be hard to tell. The largest increase is on market risk which could indicate that it is a combination of the two. Still the respondents are satisfied with the regulators handling of the Covid-19 pandemic.

ESG (Environment, Social, Governance) risk requirements is quickly moving to become a top priority for the banks. Last year I stated that the banks were on the same pattern as in 2015/2016 and overstating it's capability to handle change in the regulation. This year the group Others have improved their view on the banks and the bank respondents are a little less aggressive in how good they are. That is a somewhat quicker alignment of answer than six years ago and from my perspective positive. The banks are on the ESG questions with a lot of effort to be good at it, as the regulators and the public are expecting them to take their part of the responsibility for the global environmental problems.

With this being the sixth year of comparable questions in the survey some long-term trends can be read out. One of the main stakes in these surveys have been that the respondents find the regulation to be:

- unclear,
- difficult to understand,
- including a significant uncertainty in how the FSA will follow up on the regulation and instructions.
- without enough proportionality between small and large banks

But with the six-year view I can see that there is a trend among the respondents to be less negative to the first three bullets. I was expecting that improvement to happen much quicker but now we can see that it is slowly coming. On proportionality it is the opposite, more and more respondents say that the proportionality needs to improve.

On the topic of long-term trends, I can see both in product development, processes, and leadership that the respondents are adopting to the regulation. It goes slow, but still some adoption. Interesting but expected is that the respondents does not change the view on how difficult it is to recruit outside the industry. This was expected as the extensive number of regulations needs to be part of a manager's DNA in the banking industry.

My summary of the analysis of this year survey in comparison with all years performed is that the adoption in the banks is there but it is a slow process. The respondents find the operational ways in the “new” regulatory environment but there is still a lot of question marks relating to FSA and how the regulation is to be followed up.

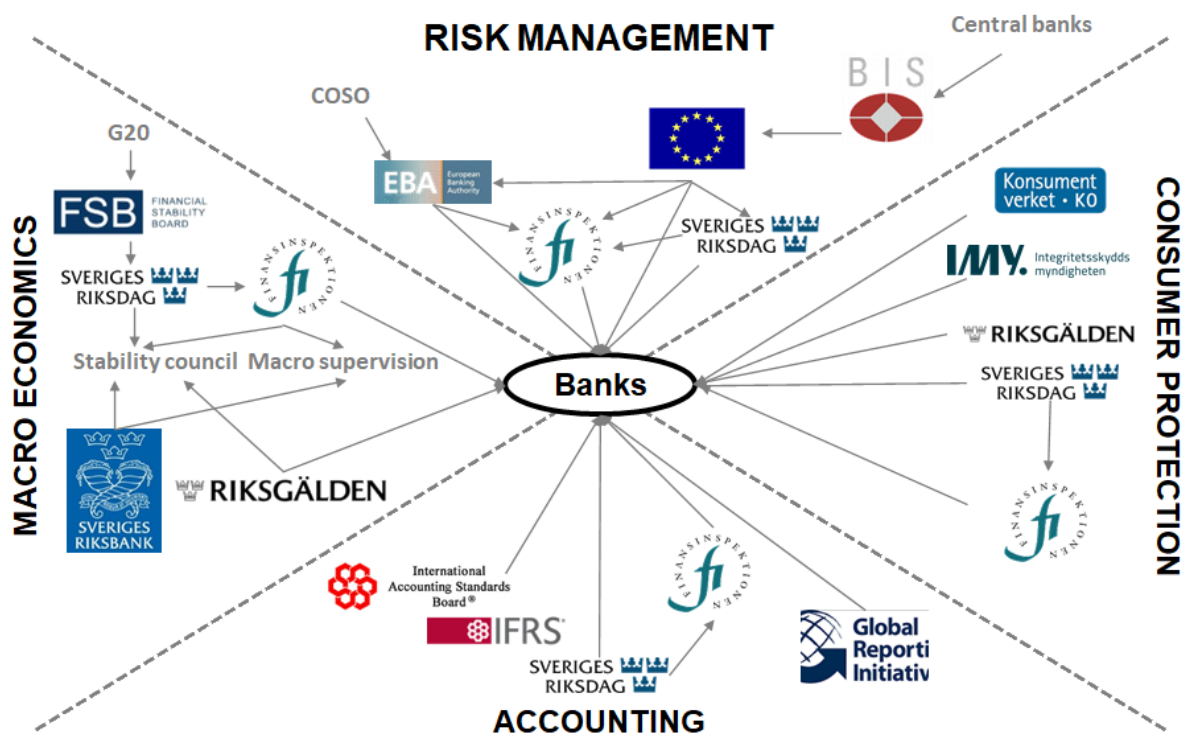
The title of the thesis and the reports, the adaptable survives, is by this conclusion as relevant now for the Nordic banks as it was in 2015.

## Appendix 1 – The bank regulation

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

The bank regulation was in deep described in the thesis “The adaptable survives” (2015). An update has been made of Figure 20 – Swedish regulators.

Figure 20 – Swedish regulators



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

### 1) Risk management

#### **Basel committee ([bis.org/bcbs](http://bis.org/bcbs))**

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

#### **COSO - The Committee of Sponsoring Organizations of the Treadway Commission ([coso.org](http://coso.org))**

Provides framework and guidelines around ERM (Enterprise Risk Management), internal control and fraud.

#### **EU ([ec.europa.eu/finance/bank](http://ec.europa.eu/finance/bank))**

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



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

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

***Finansinspektionen (fi.se)***

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

***Sveriges riksdag (riksdagen.se)***

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

**2) Macroeconomics**

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

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

***Riksbanken (riksbank.se)***

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

***Riksgälden (riksdagen.se)***

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

**3) Accounting**

***GRI – Global reporting initiative (globalreporting.org)***

Provides global standards for sustainability reporting.

***IFRS/IASB (ifrs.org)***

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

**4) Consumer protection**

***Integritetsskyddsmyndigheten (imy.se)***

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

***Konsumentverket (konsumentverket.se)***

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

## Appendix 2 – Respondents

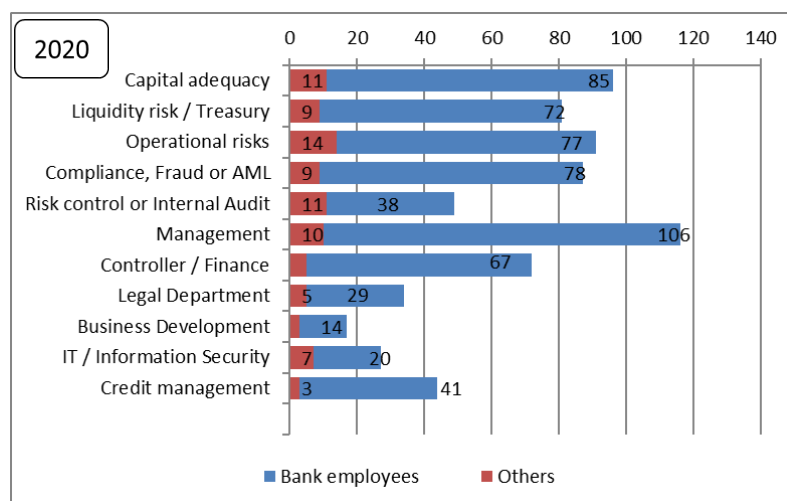
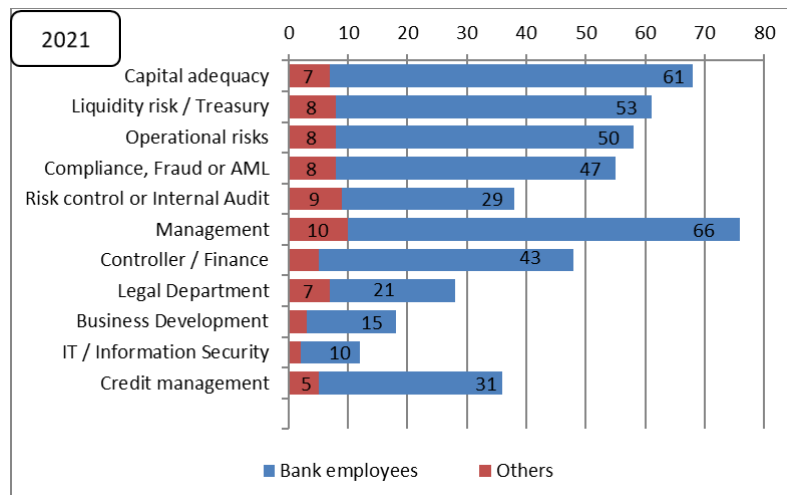
Most of the respondents, 86 percent, is found in banks, see Table 2 - Size of bank and category of respondent. The distribution has an overweight from smaller banks, with large banks being defined as more than SEK 500 billion in total assets, mid-sized banks SEK 50 - 500 billion and small banks have less than SEK 50 billion in total assets.

Table 2 - Size of bank and category of respondent

| Category - respondent | No.        | Share       | Very large bank |            | Large bank |            | Small bank |            | Other     |            |
|-----------------------|------------|-------------|-----------------|------------|------------|------------|------------|------------|-----------|------------|
| Employees in banks    | 161        | 86%         | 22              | 14%        | 34         | 21%        | 105        | 65%        | 0         | 0%         |
| Others                | 26         | 14%         |                 |            |            |            |            |            | 26        | 100%       |
| <b>Total</b>          | <b>187</b> | <b>100%</b> | <b>22</b>       | <b>12%</b> | <b>34</b>  | <b>18%</b> | <b>105</b> | <b>56%</b> | <b>26</b> | <b>14%</b> |
| Survey 2020           | 254        |             | 31              | 12%        | 31         | 12%        | 163        | 64%        | 29        | 11%        |
| Survey 2019           | 196        |             | 38              | 19%        | 31         | 16%        | 78         | 40%        | 49        | 25%        |
| Survey 2018           | 190        |             | 31              | 16%        | 39         | 21%        | 76         | 40%        | 44        | 23%        |
| Survey 2017           | 122        |             | 29              | 24%        | 20         | 16%        | 44         | 36%        | 29        | 24%        |
| Survey 2016           | 125        |             | 27              | 22%        | 22         | 18%        | 49         | 39%        | 27        | 22%        |
| Survey 2015           | 89         |             | 23              | 26%        | 13         | 15%        | 25         | 28%        | 25        | 28%        |

Respondents have identified which areas they are active in, where several responses have been possible, see Figure 21 - Area of activity.

Figure 21 - Area of activity



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

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

| <b>Time in the industry</b> | <b>More than 20 years</b> |            | <b>15 to 20 years</b> |            | <b>10 to 15 years</b> |           | <b>5 to 10 years</b> |           | <b>2 to 5 years</b> |           | <b>&lt; 2 years</b> |          |           |
|-----------------------------|---------------------------|------------|-----------------------|------------|-----------------------|-----------|----------------------|-----------|---------------------|-----------|---------------------|----------|-----------|
| Employees in banks          | 161                       | 84         | 52%                   | 23         | 14%                   | 21        | 13%                  | 23        | 14%                 | 6         | 4%                  | 4        | 2%        |
| Others                      | 26                        | 17         | 65%                   | 3          | 12%                   | 3         | 12%                  | 2         | 8%                  | 1         | 4%                  | 0        | 0%        |
| <b>Total</b>                | <b>187</b>                | <b>101</b> | <b>54%</b>            | <b>26</b>  | <b>14%</b>            | <b>24</b> | <b>13%</b>           | <b>25</b> | <b>13%</b>          | <b>7</b>  | <b>4%</b>           | <b>4</b> | <b>2%</b> |
| <i>Survey 2020</i>          | <i>254</i>                | <i>127</i> | <i>50%</i>            | <i>46</i>  | <i>18%</i>            | <i>34</i> | <i>13%</i>           | <i>23</i> | <i>9%</i>           | <i>16</i> | <i>6%</i>           | <i>8</i> | <i>3%</i> |
| <i>Survey 2019</i>          | <i>196</i>                | <i>78</i>  | <i>40%</i>            | <i>46</i>  | <i>23%</i>            | <i>40</i> | <i>20%</i>           | <i>26</i> | <i>13%</i>          | <i>5</i>  | <i>3%</i>           | <i>1</i> | <i>1%</i> |
| <i>Survey 2018</i>          | <i>190</i>                | <i>74</i>  | <i>39%</i>            | <i>37</i>  | <i>19%</i>            | <i>43</i> | <i>23%</i>           | <i>29</i> | <i>15%</i>          | <i>3</i>  | <i>2%</i>           | <i>4</i> | <i>2%</i> |
| <i>Survey 2017</i>          | <i>122</i>                | <i>46</i>  | <i>38%</i>            | <i>28</i>  | <i>23%</i>            | <i>24</i> | <i>20%</i>           | <i>19</i> | <i>16%</i>          | <i>4</i>  | <i>3%</i>           | <i>1</i> | <i>1%</i> |
| <i>Survey 2016</i>          | <i>125</i>                | <i>47</i>  | <i>38%</i>            | <i>28</i>  | <i>22%</i>            | <i>22</i> | <i>18%</i>           | <i>20</i> | <i>16%</i>          | <i>7</i>  | <i>6%</i>           | <i>1</i> | <i>1%</i> |
| <i>Survey 2015</i>          | <i>89</i>                 | <i>n/a</i> |                       | <i>n/a</i> |                       | <i>66</i> | <i>74%</i>           | <i>17</i> | <i>19%</i>          | <i>5</i>  | <i>6%</i>           | <i>1</i> | <i>1%</i> |

| <b>Time at regulator</b> | <b>More than 20 years</b> |           | <b>15 to 20 years</b> |           | <b>10 to 15 years</b> |           | <b>5 to 10 years</b> |           | <b>2 to 5 years</b> |           | <b>&lt; 2 years</b> |           | <b>No time</b> |            |            |
|--------------------------|---------------------------|-----------|-----------------------|-----------|-----------------------|-----------|----------------------|-----------|---------------------|-----------|---------------------|-----------|----------------|------------|------------|
| Employees in banks       | 161                       | 14        | 9%                    | 8         | 5%                    | 15        | 9%                   | 12        | 7%                  | 11        | 7%                  | 14        | 9%             | 87         | 54%        |
| Others                   | 26                        | 3         | 12%                   | 1         | 4%                    | 0         | 0%                   | 4         | 15%                 | 2         | 8%                  | 6         | 23%            | 10         | 38%        |
| <b>Total</b>             | <b>187</b>                | <b>17</b> | <b>9%</b>             | <b>9</b>  | <b>5%</b>             | <b>15</b> | <b>8%</b>            | <b>16</b> | <b>9%</b>           | <b>13</b> | <b>7%</b>           | <b>20</b> | <b>11%</b>     | <b>97</b>  | <b>52%</b> |
| <i>Survey 2020</i>       | <i>254</i>                | <i>35</i> | <i>14%</i>            | <i>9</i>  | <i>4%</i>             | <i>32</i> | <i>13%</i>           | <i>17</i> | <i>7%</i>           | <i>17</i> | <i>7%</i>           | <i>25</i> | <i>10%</i>     | <i>119</i> | <i>47%</i> |
| <i>Survey 2019</i>       | <i>196</i>                | <i>11</i> | <i>6%</i>             | <i>11</i> | <i>6%</i>             | <i>22</i> | <i>11%</i>           | <i>30</i> | <i>15%</i>          | <i>17</i> | <i>9%</i>           | <i>18</i> | <i>9%</i>      | <i>87</i>  | <i>44%</i> |
| <i>Survey 2018</i>       | <i>190</i>                | <i>16</i> | <i>8%</i>             | <i>11</i> | <i>6%</i>             | <i>18</i> | <i>9%</i>            | <i>19</i> | <i>10%</i>          | <i>14</i> | <i>7%</i>           | <i>20</i> | <i>11%</i>     | <i>92</i>  | <i>48%</i> |

| <b>Personnel responsibility</b> | <b>Yes</b> |            | <b>Yes, before</b> |           | <b>No</b>  |           |            |
|---------------------------------|------------|------------|--------------------|-----------|------------|-----------|------------|
| Employees in banks              | 161        | 79         | 49%                | 30        | 19%        | 52        | 32%        |
| Others                          | 26         | 9          | 35%                | 9         | 35%        | 8         | 31%        |
| <b>Total</b>                    | <b>187</b> | <b>88</b>  | <b>47%</b>         | <b>39</b> | <b>21%</b> | <b>60</b> | <b>32%</b> |
| <i>Survey 2020</i>              | <i>254</i> | <i>127</i> | <i>50%</i>         | <i>48</i> | <i>19%</i> | <i>79</i> | <i>31%</i> |
| <i>Survey 2019</i>              | <i>196</i> | <i>105</i> | <i>54%</i>         | <i>33</i> | <i>17%</i> | <i>58</i> | <i>30%</i> |
| <i>Survey 2018</i>              | <i>190</i> | <i>99</i>  | <i>52%</i>         | <i>36</i> | <i>19%</i> | <i>55</i> | <i>29%</i> |
| <i>Survey 2017</i>              | <i>121</i> | <i>61</i>  | <i>50%</i>         |           |            | <i>60</i> | <i>50%</i> |
| <i>Survey 2016</i>              | <i>124</i> | <i>61</i>  | <i>49%</i>         |           |            | <i>63</i> | <i>51%</i> |
| <i>Survey 2015</i>              | <i>86</i>  | <i>38</i>  | <i>44%</i>         |           |            | <i>48</i> | <i>56%</i> |

| <b>Committee member</b> | <b>Yes</b> |           | <b>Yes, before</b> |           | <b>No</b>  |            |            |
|-------------------------|------------|-----------|--------------------|-----------|------------|------------|------------|
| Employees in banks      | 161        | 31        | 19%                | 10        | 6%         | 120        | 75%        |
| <i>Survey 2020</i>      | <i>225</i> | <i>44</i> | <i>20%</i>         | <i>17</i> | <i>8%</i>  | <i>164</i> | <i>73%</i> |
| <i>Survey 2019</i>      | <i>148</i> | <i>50</i> | <i>34%</i>         | <i>18</i> | <i>12%</i> | <i>80</i>  | <i>54%</i> |
| <i>Survey 2018</i>      | <i>146</i> | <i>50</i> | <i>34%</i>         | <i>12</i> | <i>8%</i>  | <i>84</i>  | <i>58%</i> |
| <i>Survey 2017</i>      | <i>93</i>  | <i>42</i> | <i>45%</i>         |           |            | <i>51</i>  | <i>55%</i> |
| <i>Survey 2016</i>      | <i>98</i>  | <i>46</i> | <i>47%</i>         |           |            | <i>52</i>  | <i>53%</i> |

The regulatory knowledge is generally assessed out of position and area of responsibility, both generally and in three specific areas: Governance, Risk and Control<sup>3</sup>, Operational Risks, Information Security, and IT<sup>4</sup>, and Capital Coverage and Liquidity (CRR<sup>5</sup>). The assessed level of knowledge is lowest about Operational Risks, Information Security and IT, see Table 4 - Regulatory knowledge.

**Table 4 - Regulatory knowledge**

| <b>Regulatory knowledge</b> | <b>Very limited</b> |     |    |     | <b>Very good</b> |     |    |     | <i>2020</i> | <i>2019</i> | <i>2018</i> |     |     |
|-----------------------------|---------------------|-----|----|-----|------------------|-----|----|-----|-------------|-------------|-------------|-----|-----|
| Regulation in general       | 0                   | 0%  | 8  | 4%  | 29               | 16% | 98 | 53% | 50          | 27%         | 29%         | 34% | 34% |
| Governance, Risk, control   | 1                   | 1%  | 12 | 7%  | 32               | 18% | 75 | 41% | 61          | 34%         | 32%         | 35% | 39% |
| Operational risk, IT ...    | 12                  | 7%  | 21 | 12% | 52               | 29% | 70 | 39% | 26          | 14%         | 14%         | 12% | 21% |
| Capital adequacy            | 17                  | 9%  | 29 | 16% | 35               | 19% | 67 | 36% | 38          | 20%         | 20%         | 25% | 34% |
| Liquidity                   | 22                  | 12% | 29 | 16% | 47               | 25% | 53 | 28% | 35          | 19%         | 18%         | 17% | 21% |

<sup>3</sup> Sweden: Finansinspektionens föreskrift FFFS 2014:1

<sup>4</sup> Sweden: Finansinspektionens föreskrifter FFFS 2014:4 och 2014:5

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

### Appendix 3 – Comparison 2021 with 2018-2020

Here are the figures from the 2018-2020 report that led to the conclusions in the report compared with the same figures for 2021. The results are the same between the years and I have chosen not to comment all of them. Remember that the number of respondents in Norway, Denmark and Finland is limited and vary between the years.

#### Competition on the banking market

Figure 22 - Other actors increased regulation

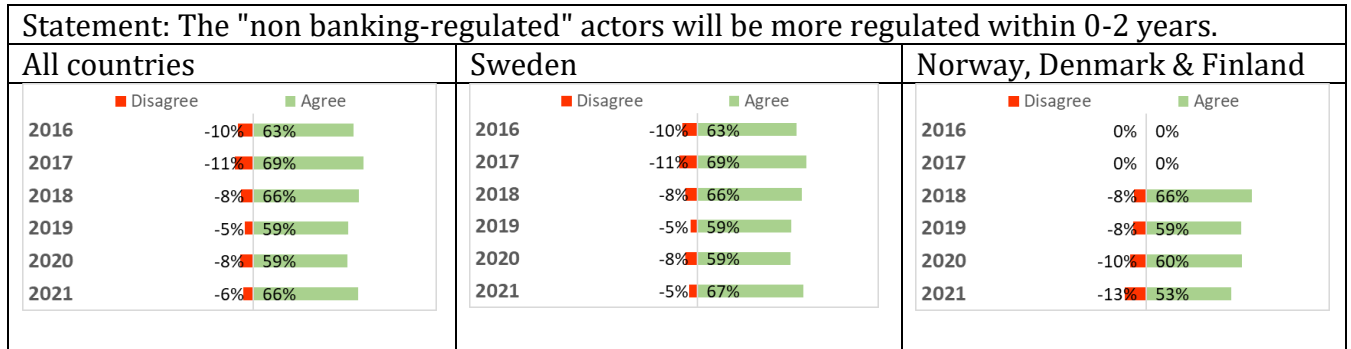


Figure 23 - Difficulty to distinguish products.

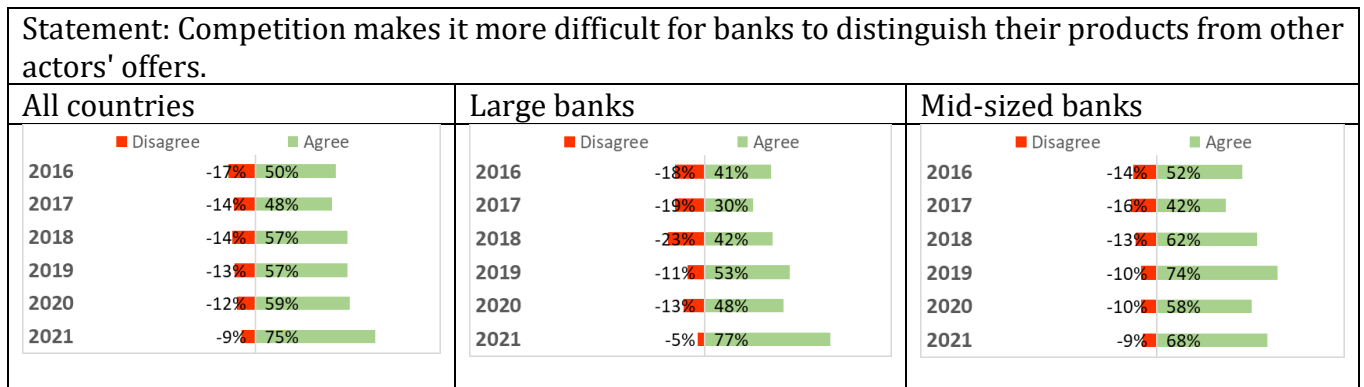


Figure 24 - Other actors, development capacity

