The adaptable survives #10

- The effects of increased regulation of banks

Report on the 2024 survey

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Foreword

This is the tenth 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 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.

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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 25 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 and CEO 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

Our annual survey delves into the impacts of regulatory shifts within the Nordic banking sector, focusing on three key areas: regulation, competition, and processes & leadership. The primary objective of this survey and its associated studies is to gain insights into the evolving regulatory landscape and its ramifications for the banking industry. Additionally, the survey explores aspects related to digitalization and ESG considerations.

In our tenth annual report, the response rate stayed on 13 percent, with a significant increase (+34%) in the number of respondents, totalling over 250 participants. This robust response rate provides a comprehensive overview of the industry.

The survey adapts to current global circumstances, addressing pertinent issues and external events of significance for the banking industry. During 2020 to 2022 questions regarding Covid-19 effects was added. In 2022 questions related to the Ukraine war was added. Respondents have identified cyber risks as the most significant growing concern. In the latest edition, we introduced inquiries about changing inflation levels and their impact on risks, with liquidity, market, and capital risks topping the list of concerns.

Amidst the prominence of changing inflation rates and geopolitical conflicts, climate change and sustainability have somewhat receded from the spotlight. However, financial markets are increasingly expected to shoulder responsibility in these areas, with stringent requirements gradually taking effect. Over the past five surveys, we have included questions about the alignment of bank processes with ESG requirements. The 2024 results show a strong development in adjusting processes to the ESG requirements.

A significant trend among both small and large bank respondents is the need to increase their lending volume to achieve economies of scale. This suggests that we might see more mergers in the future.

Content

1. Introduction

This report maintains its focus on heightened regulatory impacts and the risk of bank[1] *myopia. Myopia, in this context, denotes a failure to recognize significant shifts in the external environment, leading to a failure to adapt the business model in response to evolving customer behaviour. The study encompasses three primary areas of investigation:*

1. *How banks interpret, implement, and adapt to the regulation.*
2. *Competition between banks and other financial actors*[2] *that are not subject to the same regulations.*
3. *The impact of regulation on banks' processes and leadership.*

The findings are compared with the results of previous years' surveys for a thorough comparative analysis.

1.1. Banks and its regulation

For readers not actively involved in the banking sector, it is recommended to read the author's thesis "Den anpassningsbare överlever" (The adaptable survives) (2015) for background information that will aid in comprehending this report. The complete thesis, along with an executive summary, can be accessed at www.jacobsson.se. Please note that the thesis is available exclusively in Swedish.

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

1.2. Limitations

The report:

- Provides only a brief overview of bank regulation, primarily within the scope of risk management.
- Does not delve into the impact of regulation on other financial entities, including finance companies and shadow banks, collectively referred to as 'other financial actors.'
- Omits an analysis of the repercussions stemming from regulatory non-compliance and the subsequent regulatory actions.
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These limitations are attributed to the proximity of these areas to the core analysis but are deemed non-essential.

Moreover, unlike the thesis, this report does not include a theoretical review.

[1] In this report, the term "bank" also includes credit market companies ("kreditmarknadsbolag"), which are regulated under the same regulations as banks.
[2] Other financial actors, such as IT companies, service companies, and shadow banks, compete with banks without being subject to the same regulations. Shadow banks are financial companies that provide banking-like services.

2. Method

The author employs qualitative methods to investigate these inquiries. The survey is distributed to a diverse range of professionals actively engaged in the banking industry. It encompasses both predefined response choices and open-ended questions.

2.1. Survey formation

Data collection is conducted through an empirical study employing a survey that has been validated by an expert panel (2015), a survey design specialist (2016), and a researcher affiliated with the School of Business, Economics, and Law at the University of Gothenburg (2018-). The web-based surveys comprise two versions: one tailored for bank employees and another for other professionals within the banking sector. Both surveys feature identical questions, with variations in the wording of these questions. This empirical study relies on the author's and respondents' collective knowledge of banks and banking regulations.

2.2. Identifying recipients

The survey recipients primarily include individuals who are members of committees within the Swedish Bankers Association, focusing on areas such as capital adequacy, liquidity, legal matters, compliance, or operational risks. This also extends to equivalent committees within the Swedish Savings Bank Association and Finance Finland. Additional recipients are added from the author's professional network. Finance Norway actively participated in the survey from 2018 to 2020 but shifted to a passive role starting in 2021 due to resource constraints. Similarly, Finance Denmark was part of the survey from 2018 to 2022 but adopted a passive role from 2023 onward. The Norwegian Savings bank association was engaged in the 2024 survey to distribute the survey. Unfortunately, the number of respondents didn´t increase in Norway in the expected way. Analysis will be done with the goal of increasing the number of Norwegian respondents in coming years.

Nevertheless, this year's survey still includes some respondents from Norway and Denmark. The selection of recipients is based on their expected ability to offer a comprehensive perspective from within the banking sector. The recipients are categorized into two groups: Bank Employees and Others. The 'Others' category encompasses individuals employed at consultancy firms, universities, government authorities, or serving as independent board members.

2.3. Distribution

The survey is administered online, with recipients receiving an email containing a survey link. The email provides information about the survey, including its purpose, scope, voluntary participation, and assurance of anonymity. Since 2019, the associations in each respective country have been responsible for distributing the email to their members.

2.4. Analysis

The collected data is analysed by comparing the current year's results with those from previous years. This involves examining both predefined answer options and openresponse answers. Using provided background information, comparisons are made between larger and smaller banks, as well as between respondents with in-depth knowledge of the regulation and those less involved. Additionally, differences in response pattern are assessed among various respondent categories, including committee members and non-members, as well as individuals with and without employee responsibilities.

3. Result and analysis

The 2024 survey achieved a response rate of 13 percent, with a total of 256 replies. This report primarily focuses on the examination of long-term trends observed. Notably, this year witnessed an increase in responses from Sweden, while the other countries remained stable in terms of participation. Please refer to Table 1 - Respondents by country and year.

Some key new findings from this year's survey include:

- *Both Small and Large banks seek to grow to achieve economies of scale.*
- *The impact of inflation primarily affects liquidity risk, a trend observed for the second consecutive year.*
- *Compared to last year, respondents report a notable improvement in meeting ESG requirements.*

It is worth noting that the results of the 2024 survey may be influenced by an increase in both the number of recipients (35%) and respondents (33%). The increase in recipients is primarily attributed to Norwegian banks (>800%). The increase in respondents from Norwegian banks increased with 100%. Detailed response rates for all surveys can be found in Table 1 - Respondents by country and year. Despite the survey being conducted outside of Sweden for the seventh consecutive year, most respondents remain from Sweden, accounting for most recipients (69 percent) and respondents (94 percent).

Table 1 - Respondents by country and year

	2024			2023			2022			2021		
Country	**Received**	**Answer**	**Rate**	**Received**	**Answer**	**Rate**	**Received**	**Answer**	**Rate**	**Received**	**Answer**	**Rate**
Sweden	1383	241	17%	1283	185	14%	1228	182	15%	1007	171	17%
Norway	440	9	2%	51	2	4%	51	1	2%	47	5	11%
Finland	154	5	3%	123	6	5%	53	7	13%	105	3	3%
Denmark	25	1	4%	23	0	0%	281	7	2%	268	8	3%
Other	3	0	0%									
Total	2005	256	13%	1480	193	13%	1613	197	12%	1427	187	13%

Appendix 2 – Respondents, contains a 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 2024 with 2018-2024 various graphics illustrating relatively consistent results up to 2024, providing readers with the opportunity for in-depth analysis of these figures. Conversely, our focus in this section is to highlight the 'what's new' aspects. This includes discernible trends, significant disparities between countries, or variations between bank employees and the 'Others' group.

3.1. The impact of inflation

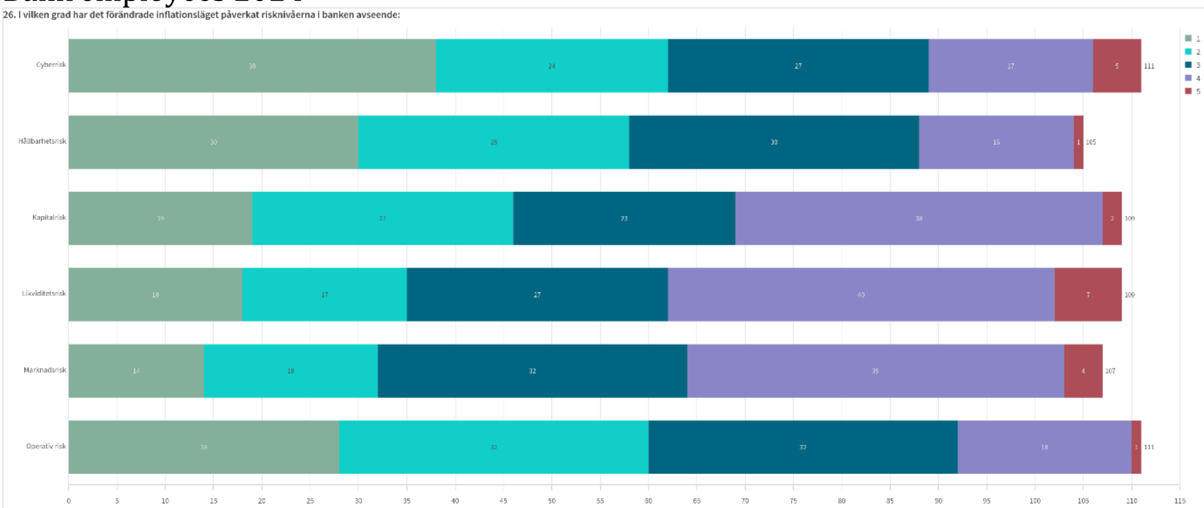
In the initial survey conducted following the shift in inflation levels, we introduced a query about the altered risk levels associated with the new economic landscape. The question has been included in the survey for two years. The initial trend indicates an increased perception of risk.

As illustrated in Figure 1 both Bank employees and Others indicate that liquidity (#4), market (#5) and capital (#3) risks have seen the most significant increase, consistent with the findings from 2023. The scale ranges from 1 to 5, where 1 represents no change in risk level and 5 represents a very significant change in risk. Responses marked as 0, indicating no opinion, are not shown in the graphics.

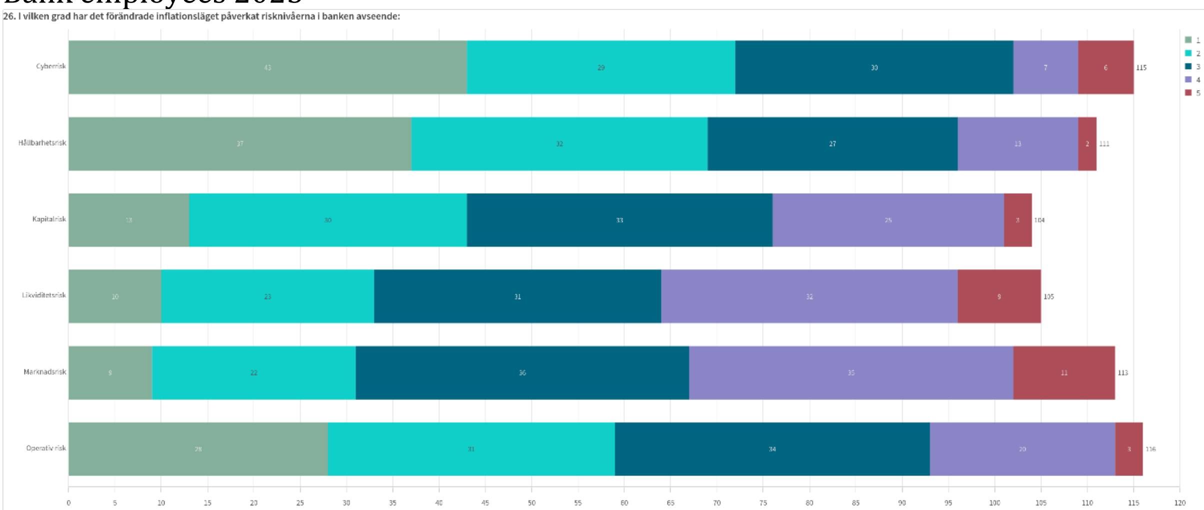
Figure 1 – Effects on risk levels

Statement: To what extent do you find that the changed inflation environment has affected the Bank's risk levels on:

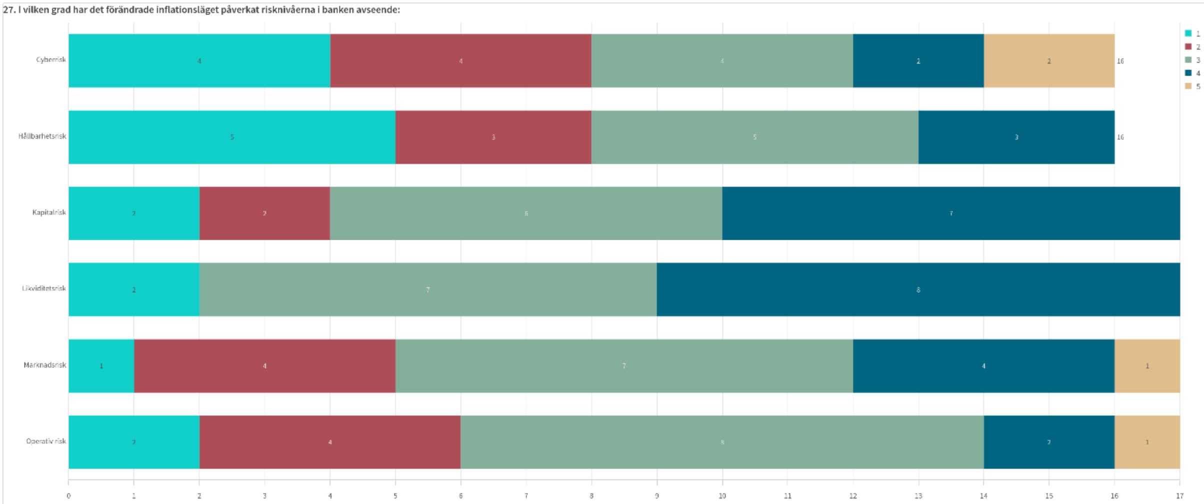
Bank employees 2024



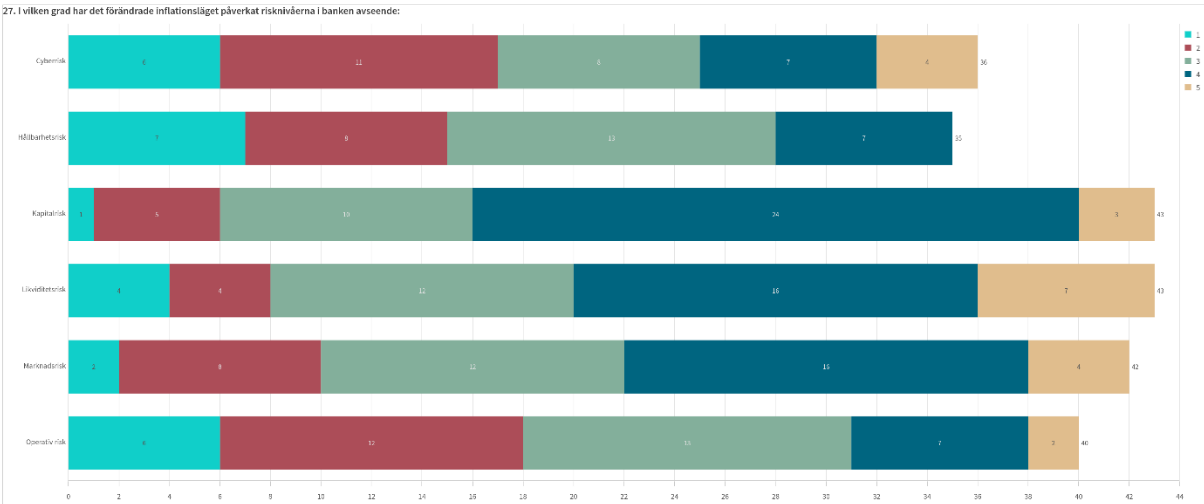
Bank employees 2023



Others 2024



Others 2023



3.2. Implications of the Ukraine war

In 2022, we introduced a question about changes in risk levels due to sanctions and other regulatory measures implemented in response to the war. This question was retained in this year's survey.

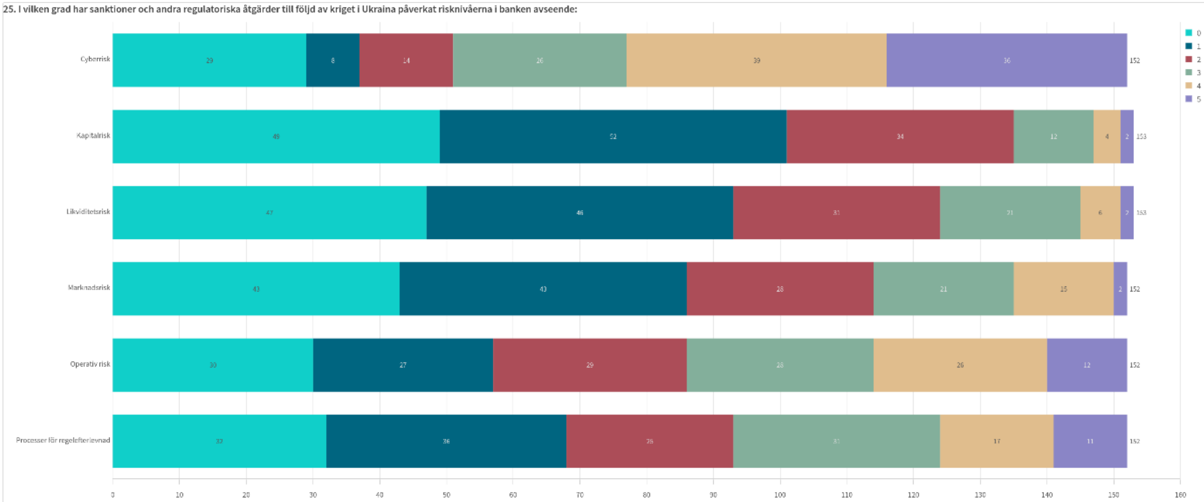
Figure 2 shows that bank employees continue to identify cyber risk as the main increased risk during the third year of the war. Other risks that is somewhat affected include operational risk and compliance processes.

Figure 2 – Risk level effects on risk levels

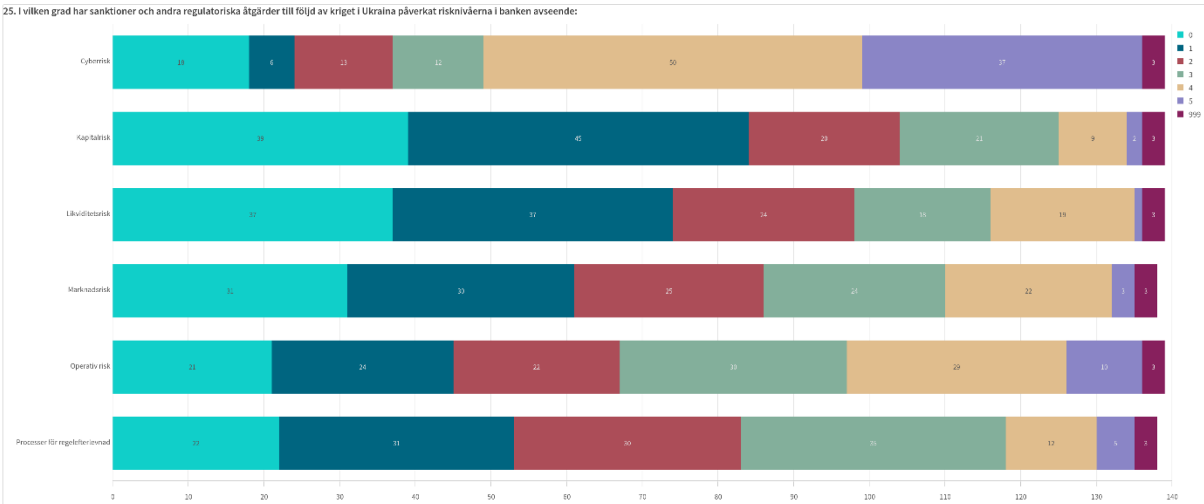
Statement: To what extent do you find that the sanctions and other regulatory measures because of the war in Ukraine have affected the Bank's risk levels on:

Bank employees

2024:



2023:



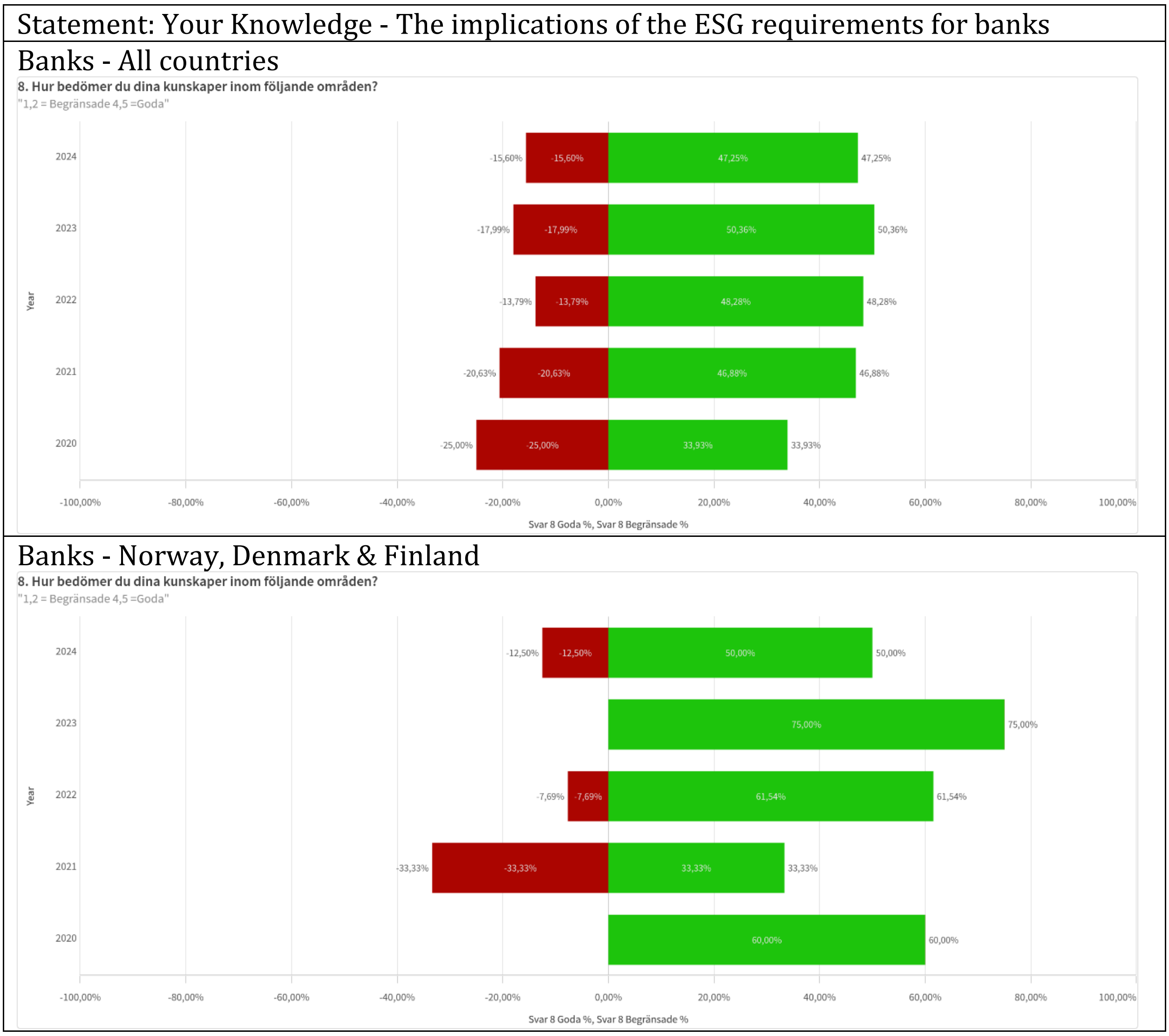
3.3. ESG risks

The responses indicate that banks continue to make progress in complying with ESG requirements, with improved results also in 2024. Notably, the integration of these requirements into banks' processes has shown significant improvement in 2024. Both the 'Other' group and Bank employee respondents agree that the alignment of banks processes with ESG requirements has improved since the 2023 survey.

This question was introduced in the 2020 survey to gain deeper insights into how respondents perceive ESG (Environmental, Social & Governance) risks. Given the significant role that the financial industry, including banks, plays in the transition towards more sustainable societies from both regulatory and political standpoints, these questions have taken centre stage. They were included to provide a better understanding of how banks are positioning themselves in this context.

The 2024 survey does not show as clear a trend in terms of knowledge as the 2023 survey did. However, respondents from other countries continue to rate their knowledge higher than those in Sweden.

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

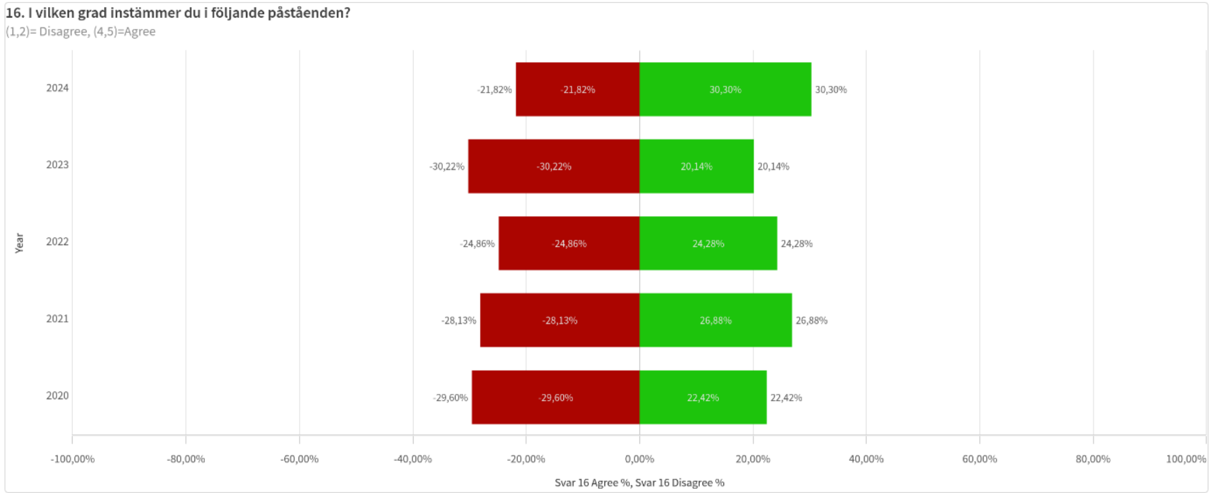


In 2024, the trend in adopting processes to meet ESG requirements has shifted positively compared to previous years. This improvement is observed among both Bank employees and Others.

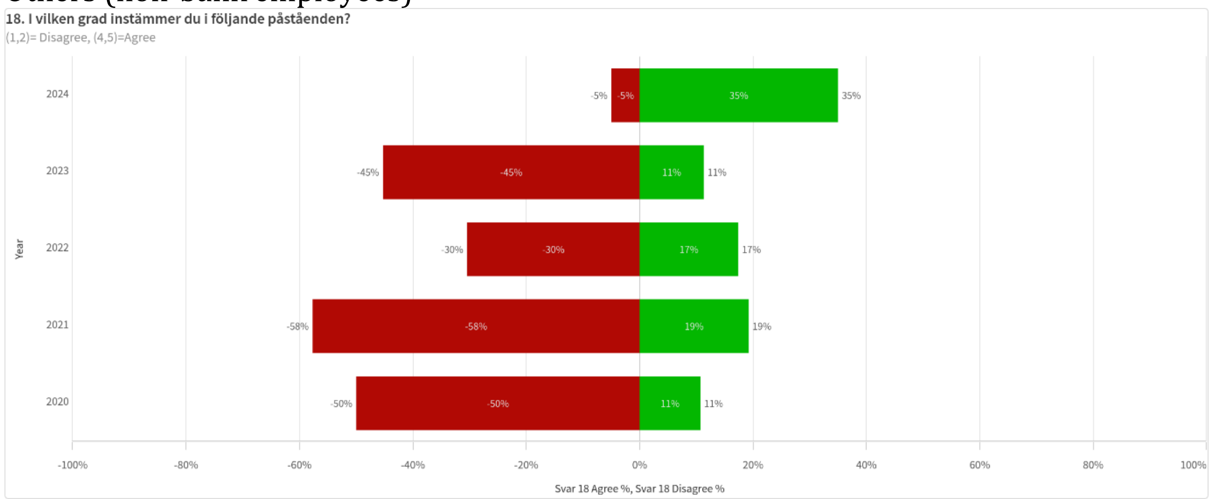
Figure 4 – Well-adapted processes to ESG requirements

Statement: The bank's processes are well-adapted to the ESG (Environmental, Social, Governance) requirements.

Banks - All countries



Others (non-bank employees)



3.4. Communication with the national Financial Supervisory Authority (FSA)

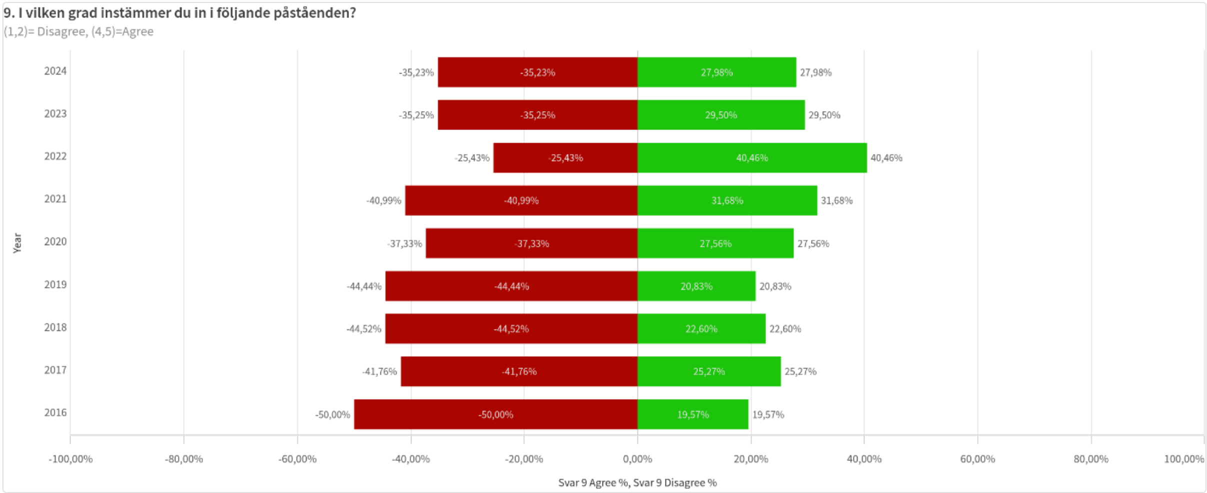
Over a nine-year period, we have observed some small improvements in how regulations are perceived. The responses reflect a general critique of the regulatory framework, primarily voiced by smaller banks. While there were some improvements in 2022, the last two years have shown a negative trend from a regulator's perspective.

Throughout the years of the survey, approximately 40% of bank employees have consistently reported that the regulations are unclear, and over 50% have noted that regulators do not provide sufficiently clear instructions. As illustrated in Figure 5 and Figure 6 below, this view stabilized in 2024.

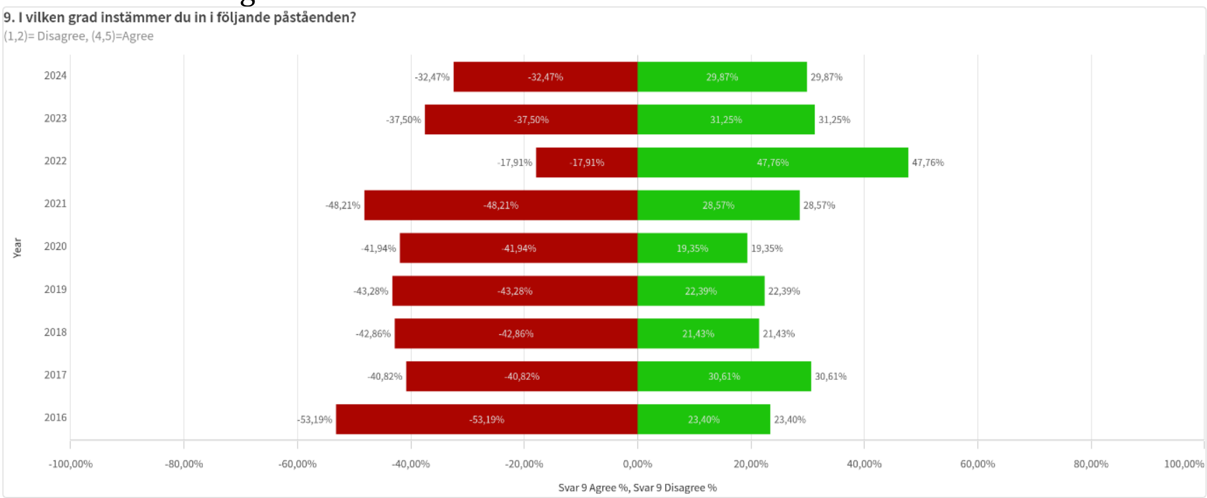
Figure 5 - The rules are clear

Statement: The rules are clear – Bank employees

All countries



Mid-sized and large banks



Small banks

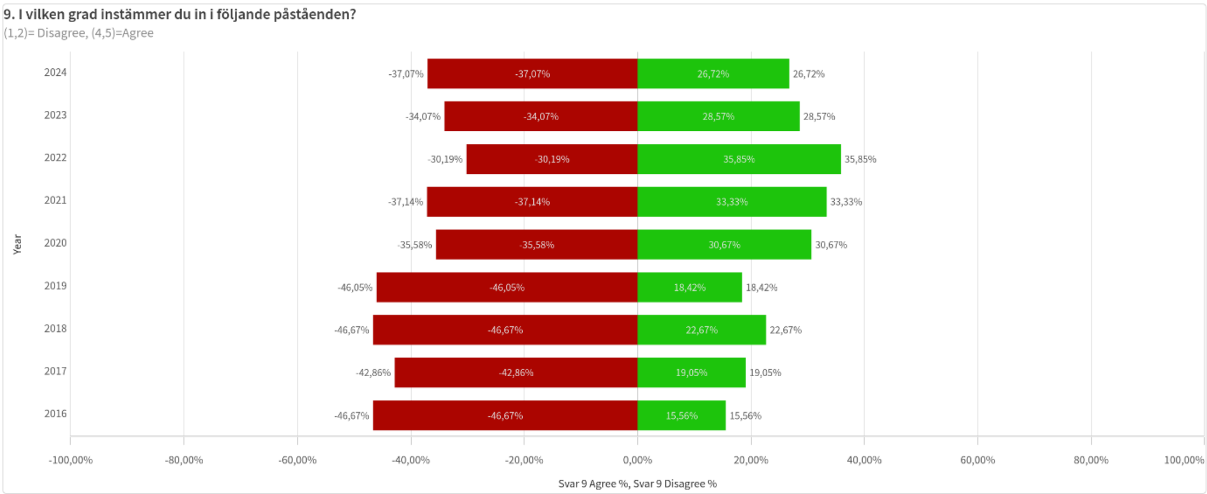
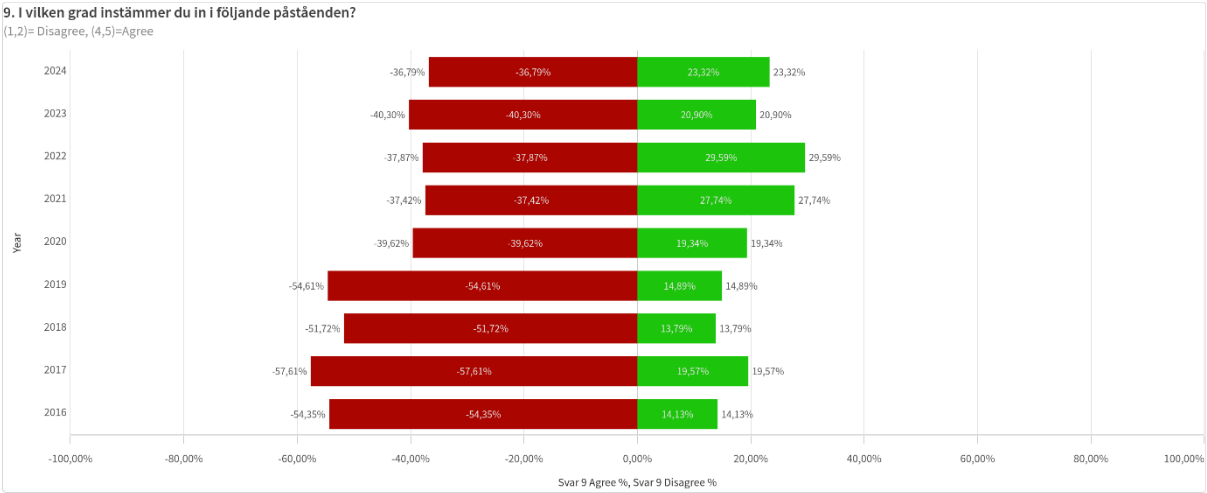


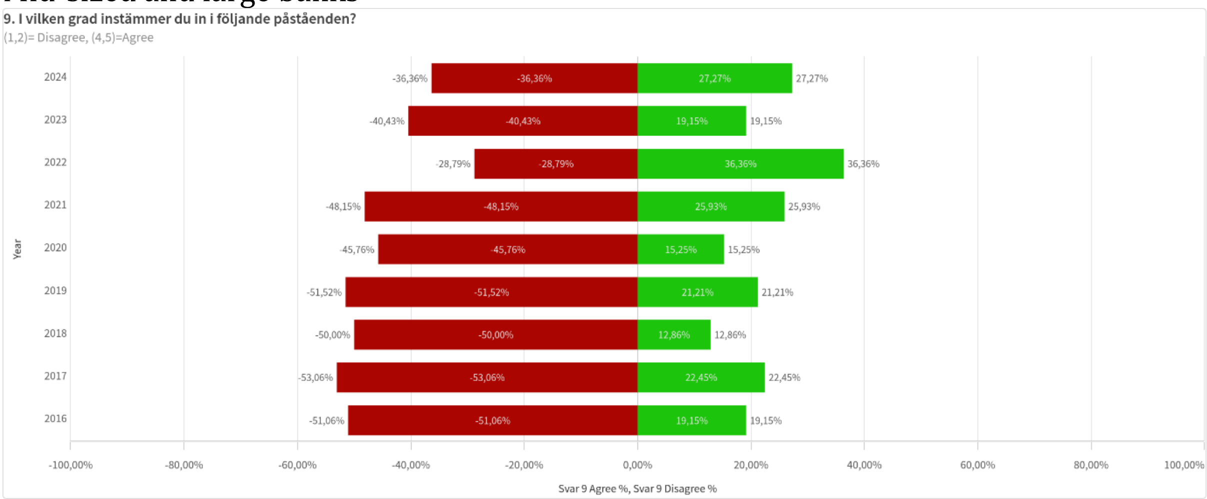
Figure 6 - Regulators are sufficiently clear...

Statement: Regulators are sufficiently clear in their regulations and instructions – Bank employees

All countries



Mid-sized and large banks



Small banks

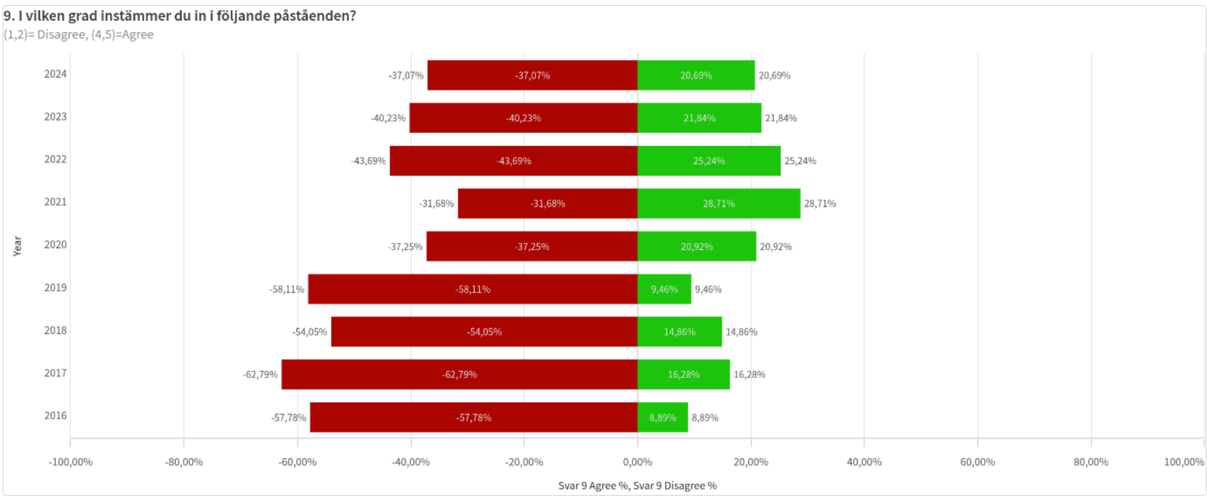
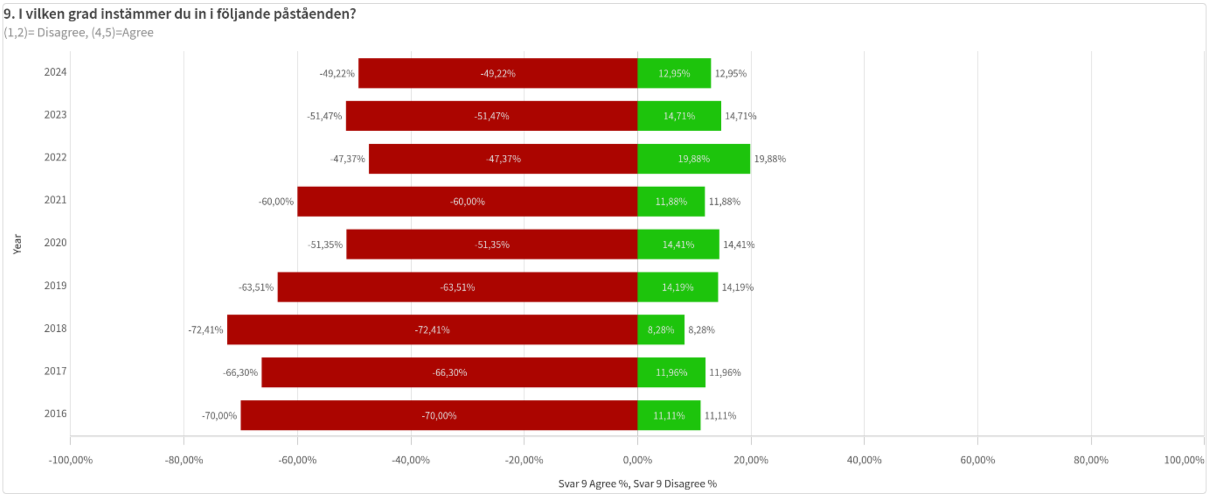


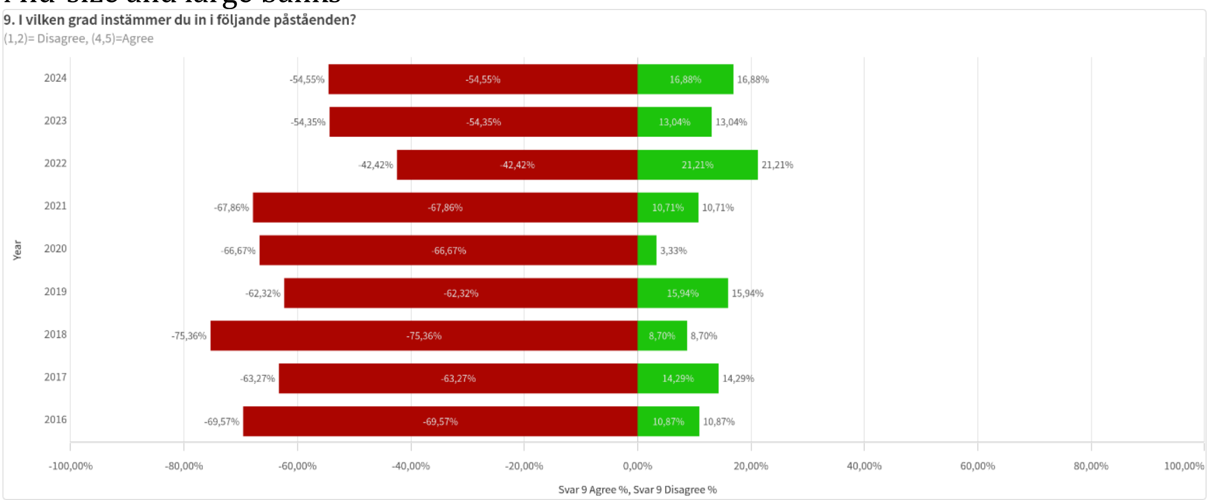
Figure 7 – There is no uncertainty…

Statement: There is no uncertainty about how the regulators will follow up the application of the regulations and instructions – Bank employees

All countries



Mid-size and large banks



Small banks

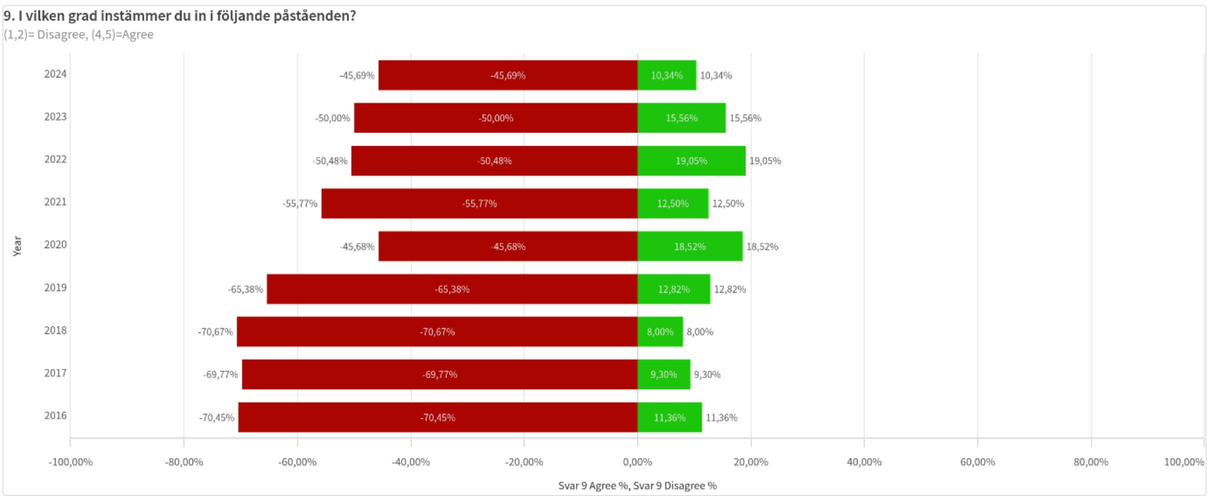
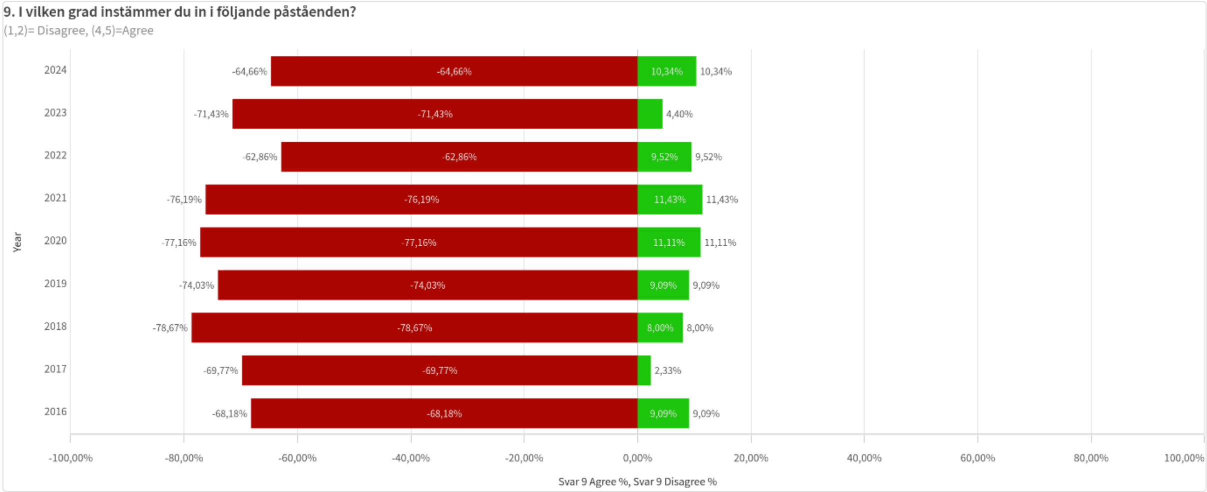


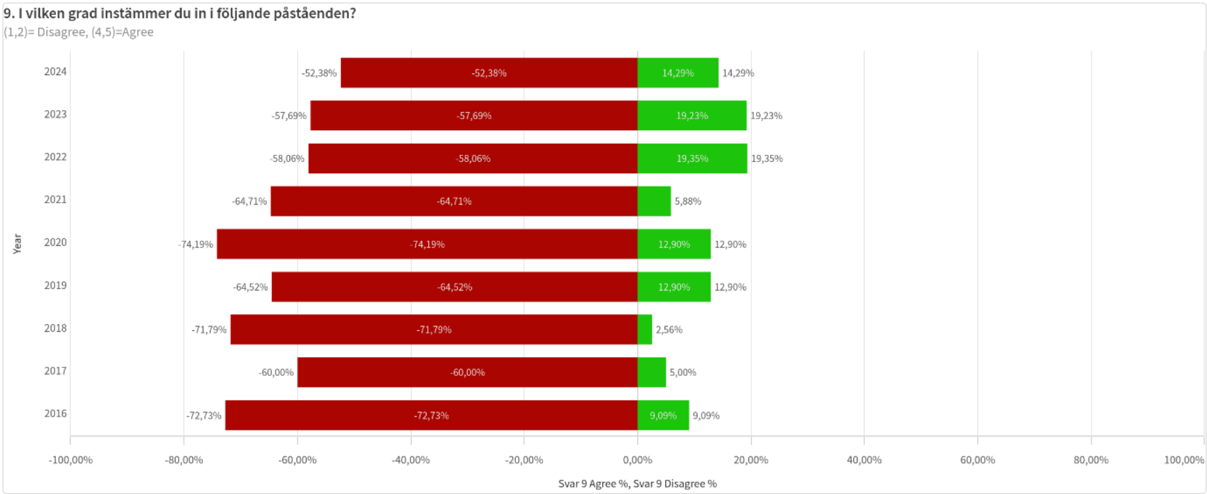
Figure 8 - Proportionality

Statement: There is sufficient proportionality in the rules between large and small banks – Bank employees

Small banks



Mid-sized banks



Large banks

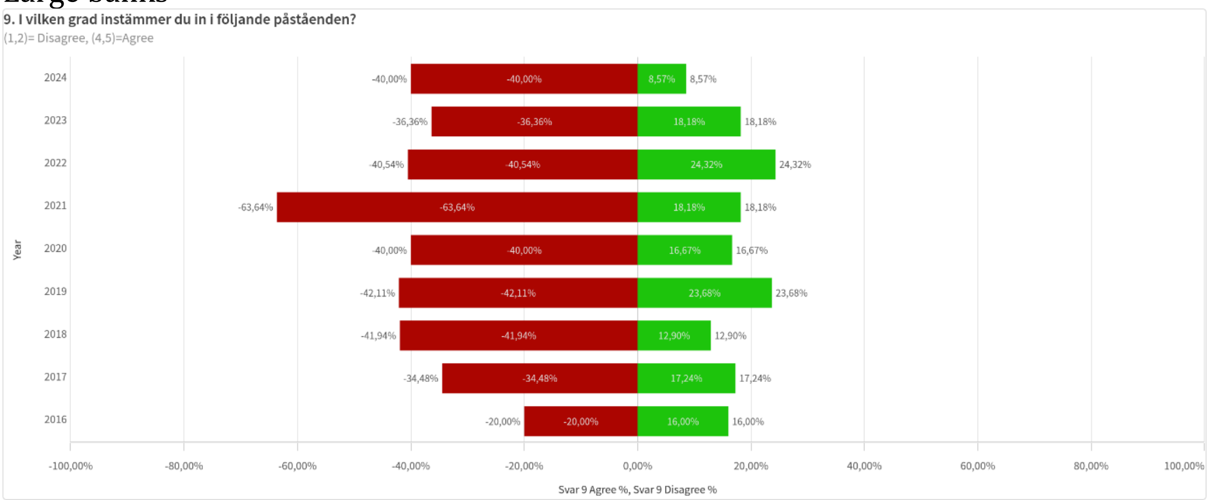
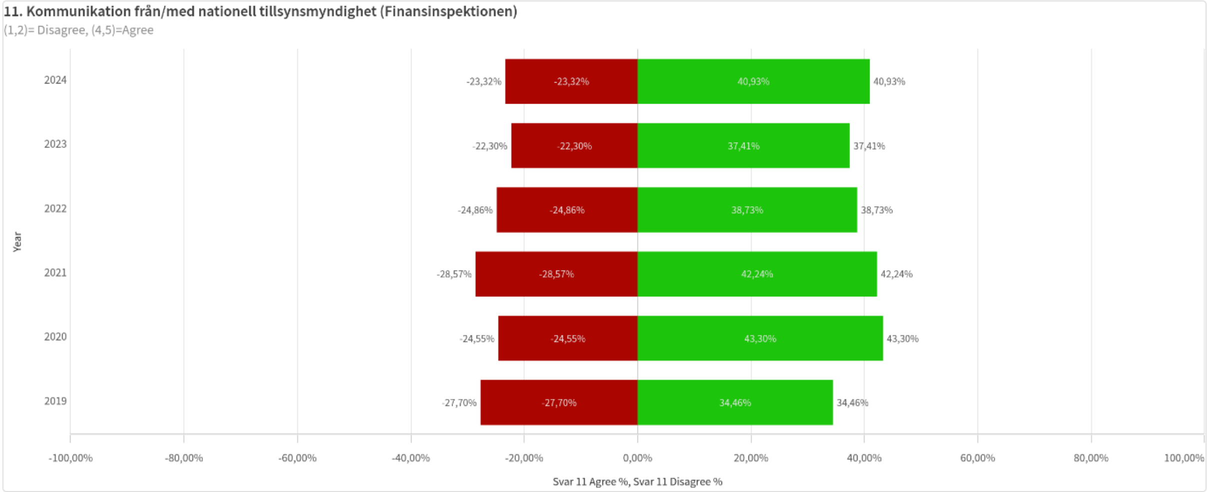


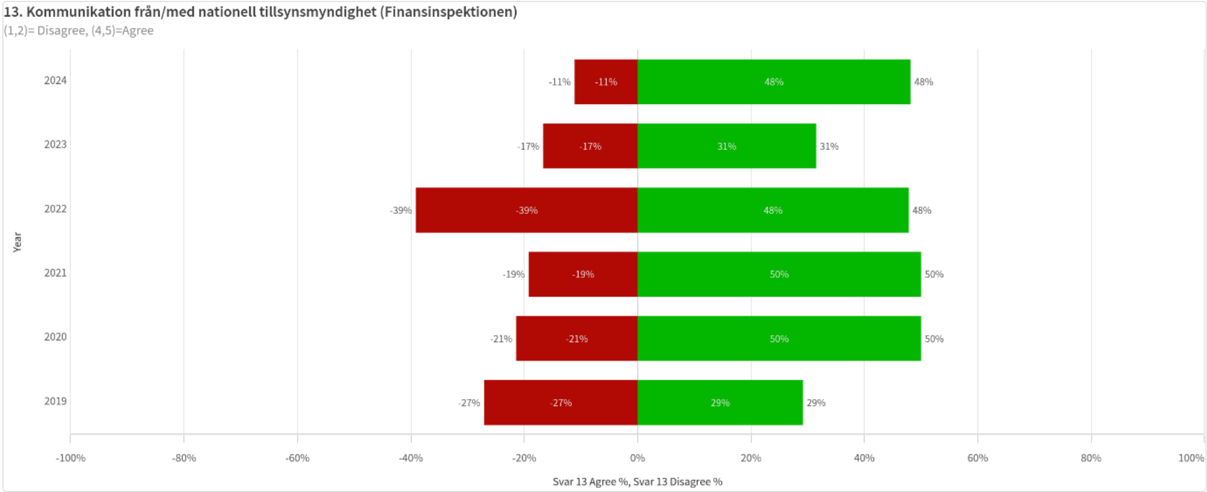
Figure 9 - Guidelines from the FSA

Statement: The regulatory guidelines from the FSA facilitate the compliance process

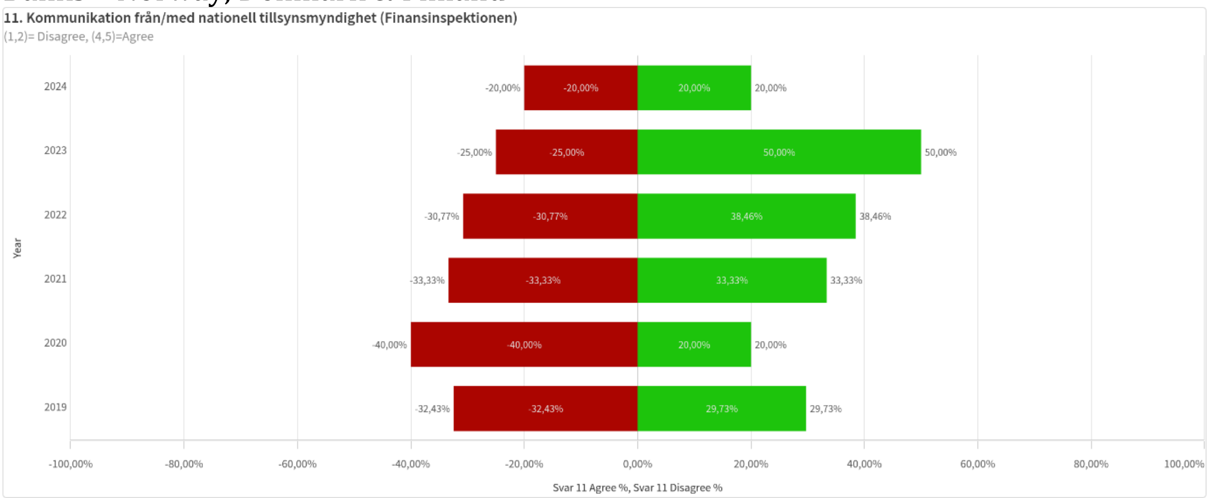
Banks – All countries



Others – All countries



Banks – Norway, Denmark & Finland



3.5. Effects on banks – products and processes

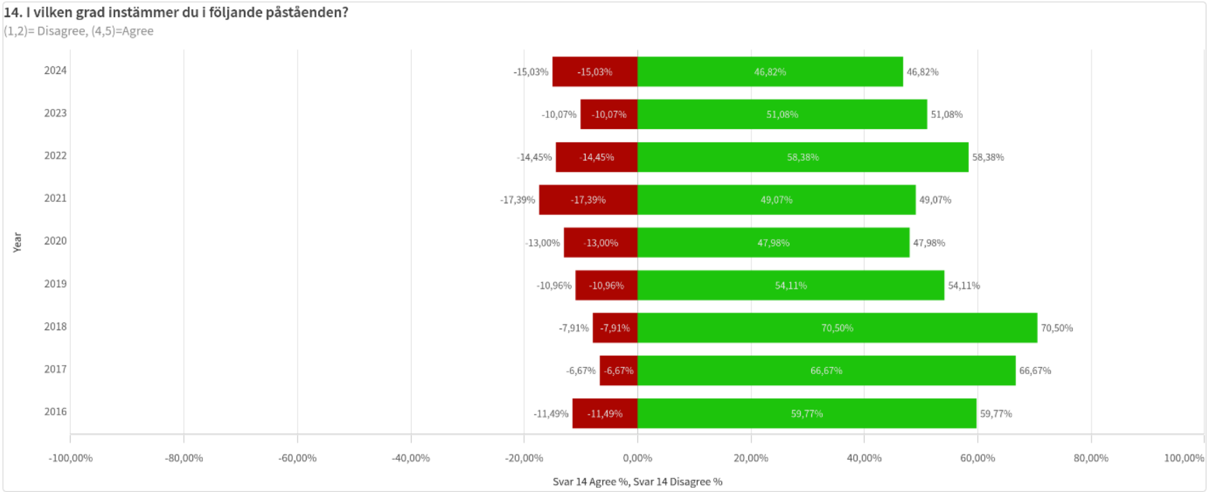
The trend from the previous year, where respondents were gradually adapting to the regulation and reporting fewer issues related to the regulations, continues.

As shown below, there has been an improvement over time in how much regulatory preparation hampers business development.

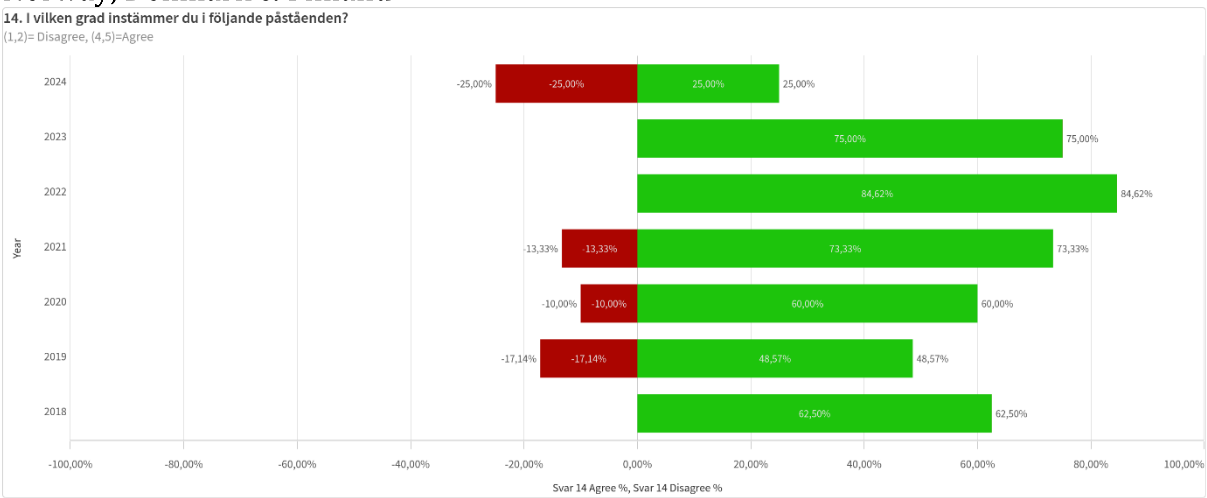
Figure 10 – Effects of preparing for upcoming regulation

Statement: The process of preparing for upcoming regulations hampers business development within the bank.

All countries



Norway, Denmark & Finland

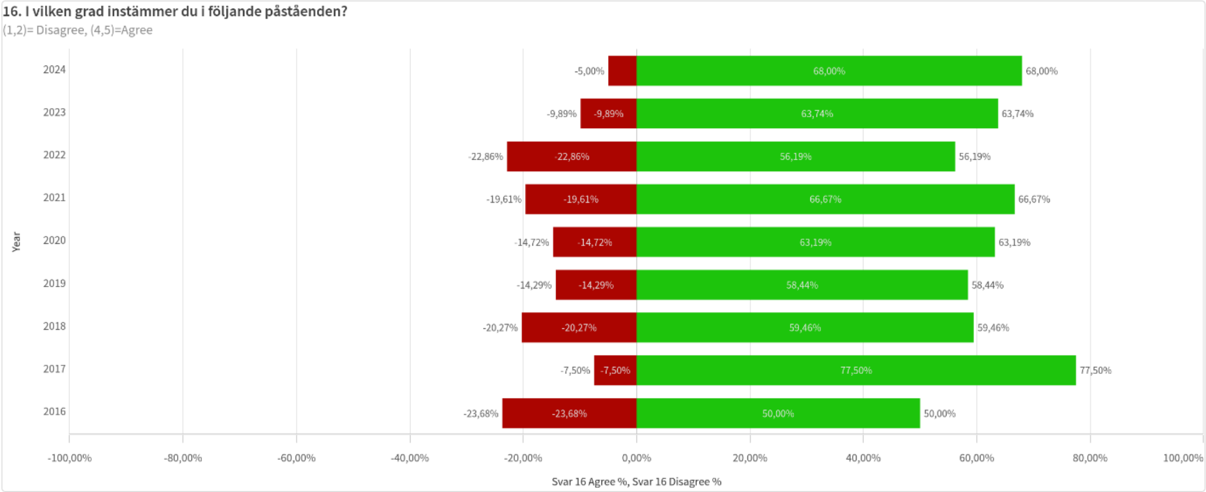


As shown in Figure 11 below, both small and large banks see an increased need to grow their volumes to achieve economies of scale. Mid-sized banks do not show the same need.

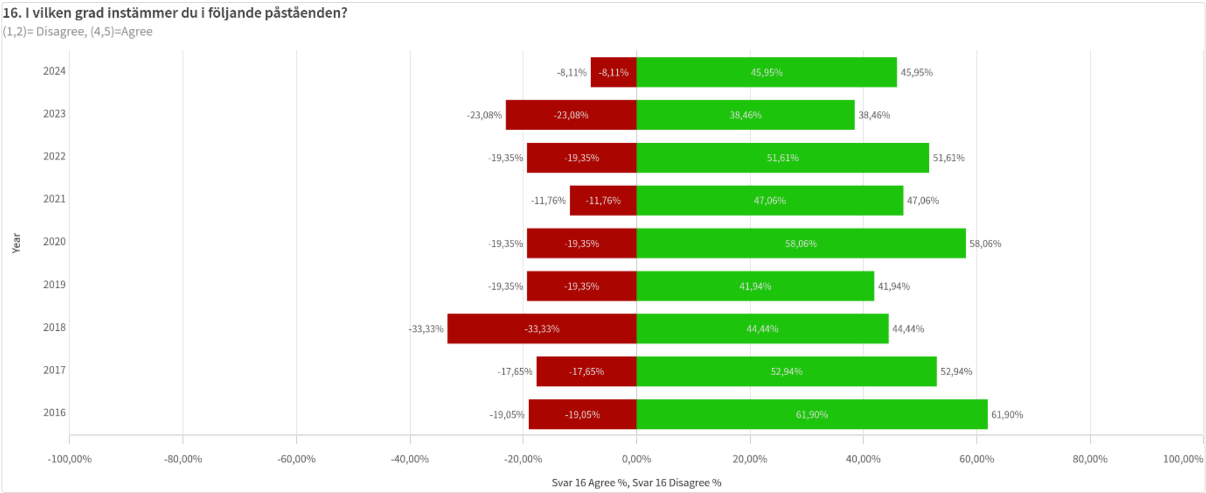
Figure 11 – Bank size

Statement: The bank need to be larger (get more volume) in order for their processes to be optimal (win economies of scale) – Bank employees

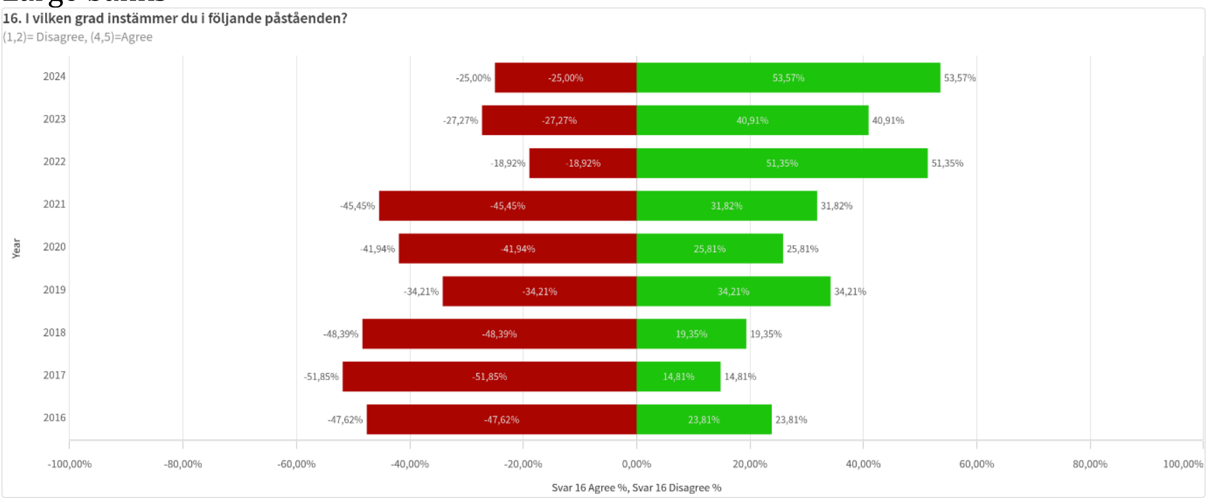
Small banks



Mid-sized banks



Large banks



4. Conclusions

The conclusions remain consistent year after year: 'the effects of increased regulation on Nordic banks are still extensive', with no direct improvements observed in the last two years.

Changes in inflation levels have affected risk levels for liquidity, market, and capital risks. This question, introduced last year, shows that liquidity risk remains high, capital risk has increased, and market risk has slightly decreased from last year.

The Ukraine war has, unsurprisingly, affected Cyber risk levels in banks, with an increase in 2023 that stabilized at a high level in 2024.

Regarding ESG (Environment, Social, Governance) risk requirements, both Bank respondents and the Other's group express that banks are aligning their processes with ESG requirements. Although banks were initially slow, they are now making progress in implementation.

With this being the ninth year of comparable questions in the survey, some long-term trends can be discerned. One of the main concerns in these surveys has been that respondents find the regulation to be:

- Unclear.
- Difficult to understand.
- Involving significant uncertainty regarding how the Financial Supervisory Authority (FSA) will follow up on the regulation and instructions.
- Lacking sufficient proportionality between small and large banks.

Based on the results related to "achieving economies of scale", there may be a future trend of mergers between smaller and larger banks to form bigger units. In Sweden, there have been some mergers among savings banks in recent years, indicating a trend that has just begun.

My summary of this year's survey analysis, compared to previous years, remains unchanged. Adoption within the banks is occurring, but it is a very slow process. Respondents have adapted to the operational aspects of the 'new' regulatory environment, but there are still many questions regarding the FSA and how the regulation will be followed up.

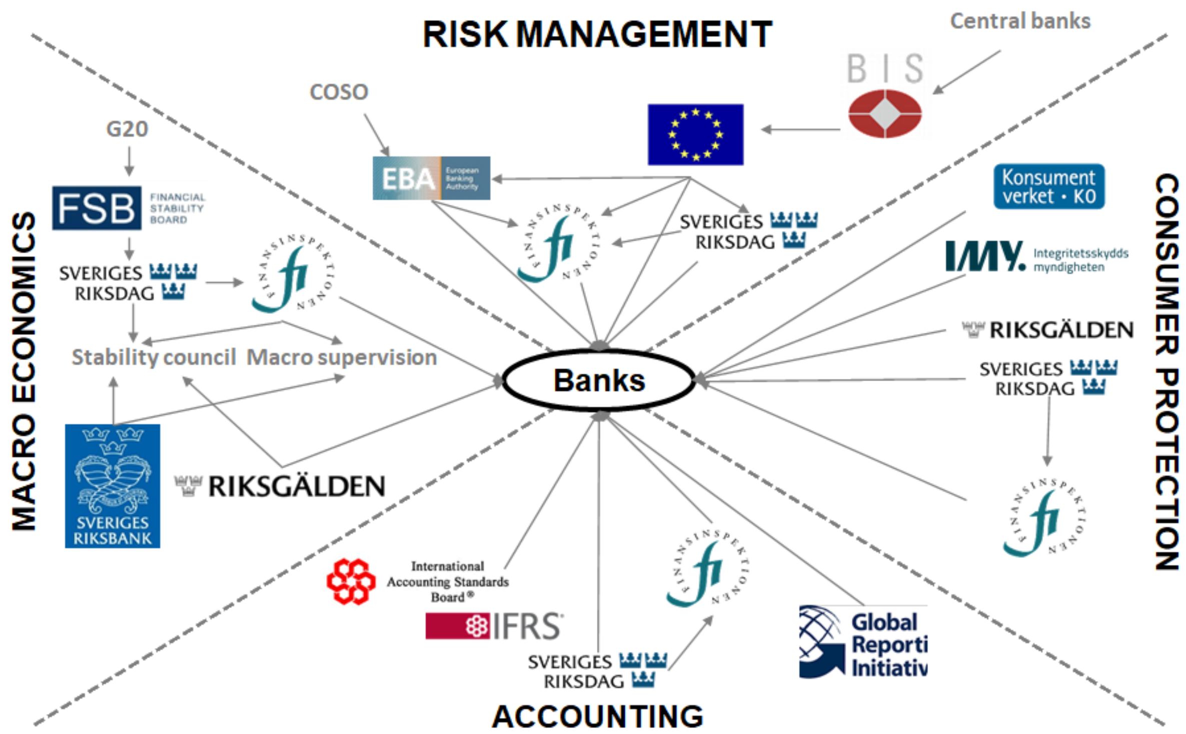
The title of the thesis and the reports, 'the adaptable survives,' remains as relevant now for Nordic banks as it was in 2015.

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 12 – Swedish regulators.

Figure 12 – Swedish regulators



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

<u>1) Risk management</u>

Basel committee (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)

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

EU (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).

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 (riksgalden.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 reporing 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 number in category Others have decreased this year. 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	221	86%	38	17%	52	24%	131	59%	0	0%
Others	35	14%							35	100%
Total	256	100%	38	15%	52	20%	131	51%	35	14%
Survey 2023	*193*		*22*	*11%*	*26*	*13%*	*91*	*47%*	*54*	*28%*
Survey 2022	*197*		*37*	*19%*	*31*	*16%*	*106*	*54%*	*23*	*12%*
Survey 2021	*187*		*22*	*12%*	*34*	*18%*	*105*	*56%*	*26*	*14%*
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%*

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 a quarter are member in any committee of the bankers organisations, see Table 3 - Time of activity in the industry, with regulator, Personnel responibility or committee member.

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

Time in the industry		More than 20 years		15 to 20 years		10 to 15 years		5 to 10 years		2 to 5 years		< 2 years	
Employees in banks	221	92	42%	35	16%	34	15%	32	14%	19	9%	9	4%
Others	35	20	57%	1	3%	8	23%	3	9%	3	9%	0	0%
Total	256	112	44%	36	14%	42	16%	35	14%	22	9%	9	4%
Survey 2023	*193*	*104*	*54%*	*28*	*15%*	*25*	*13%*	*16*	*8%*	*14*	*7%*	*6*	*3%*
Survey 2022	*197*	*104*	*53%*	*25*	*13%*	*33*	*17%*	*20*	*10%*	*13*	*7%*	*2*	*1%*
Survey 2021	*187*	*101*	*54%*	*26*	*14%*	*24*	*13%*	*25*	*13%*	*7*	*4%*	*4*	*2%*
Survey 2020	*254*	*127*	*50%*	*46*	*18%*	*34*	*13%*	*23*	*9%*	*16*	*6%*	*8*	*3%*
Survey 2019	*196*	*78*	*40%*	*46*	*23%*	*40*	*20%*	*26*	*13%*	*5*	*3%*	*1*	*1%*
Survey 2018	*190*	*74*	*39%*	*37*	*19%*	*43*	*23%*	*29*	*15%*	*3*	*2%*	*4*	*2%*
Survey 2017	*122*	*46*	*38%*	*28*	*23%*	*24*	*20%*	*19*	*16%*	*4*	*3%*	*1*	*1%*
Survey 2016	*125*	*47*	*38%*	*28*	*22%*	*22*	*18%*	*20*	*16%*	*7*	*6%*	*1*	*1%*
Survey 2015	*89*	*n/a*		*n/a*		*66*	*74%*	*17*	*19%*	*5*	*6%*	*1*	*1%*

Time at regulator		More than 20 years		15 to 20 years		10 to 15 years		5 to 10 years		2 to 5 years		< 2 years		No time	
Employees in banks	221	14	6%	17	8%	18	8%	25	11%	20	9%	20	9%	107	48%
Others	35	20	57%	1	3%	4	11%	1	3%	2	6%	1	3%	6	17%
Total	256	34	13%	18	7%	22	9%	26	10%	22	9%	21	8%	113	44%
Survey 2023	*193*	*21*	*11%*	*4*	*2%*	*11*	*6%*	*11*	*6%*	*11*	*6%*	*18*	*9%*	117	*61%*
Survey 2022	*197*	*24*	*12%*	*4*	*2%*	*29*	*15%*	*24*	*12%*	*14*	*7%*	*12*	*6%*	90	*46%*
Survey 2021	*187*	*17*	*9%*	*9*	*5%*	*15*	*8%*	*16*	*9%*	*13*	*7%*	*20*	*11%*	97	*52%*
Survey 2020	*254*	*35*	*14%*	*9*	*4%*	*32*	*13%*	*17*	*7%*	*17*	*7%*	*25*	*10%*	119	*47%*
Survey 2019	*196*	*11*	*6%*	*11*	*6%*	*22*	*11%*	*30*	*15%*	*17*	*9%*	*18*	*9%*	87	*44%*
Survey 2018	*190*	*16*	*8%*	*11*	*6%*	*18*	*9%*	*19*	*10%*	*14*	*7%*	*20*	*11%*	92	*48%*

Personnel responsibility		Yes		Yes, before		No	
Employees in banks	221	105	48%	27	12%	89	40%
Others	35	9	26%	7	20%	19	54%
Total	256	114	45%	34	13%	108	42%
Survey 2023	*193*	*90*	*47%*	*44*	*23%*	*59*	*31%*
Survey 2022	*197*	*108*	*55%*	*28*	*14%*	*61*	*31%*
Survey 2021	*187*	*88*	*47%*	*39*	*21%*	*60*	*32%*
Survey 2020	*254*	*127*	*50%*	*48*	*19%*	*79*	*31%*
Survey 2019	*196*	*105*	*54%*	*33*	*17%*	*58*	*30%*
Survey 2018	*190*	*99*	*52%*	*36*	*19%*	*55*	*29%*
Survey 2017	*121*	*61*	*50%*			*60*	*50%*
Survey 2016	*124*	*61*	*49%*			*63*	*51%*
Survey 2015	*86*	*38*	*44%*			*48*	*56%*

Committee member		Yes		Yes, before		No	
Employees in banks	221	63	29%	10	5%	148	67%
Survey 2023	*139*	*26*	*19%*	*7*	*5%*	*106*	*76%*
Survey 2022	*174*	*46*	*26%*	*11*	*6%*	*117*	*67%*
Survey 2021	*161*	*31*	*19%*	*10*	*6%*	*120*	*75%*
Survey 2020	*225*	*44*	*20%*	*17*	*8%*	*164*	*73%*
Survey 2019	*148*	*50*	*34%*	*18*	*12%*	*80*	*54%*
Survey 2018	*146*	*50*	*34%*	*12*	*8%*	*84*	*58%*
Survey 2017	*93*	*42*	*45%*			*51*	*55%*
Survey 2016	*98*	*46*	*47%*			*52*	*53%*

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

Table 4 - Regulatory knowledge

Bank employees

Regulatory knowledge	Very limited								Very good		2023	2022	2021	2020
Regulation in general	0	0%	11	5%	52	24%	110	51%	44	20%	24%	34%	27%	26%
Governance, Risk, control	3	1%	11	5%	49	22%	89	41%	66	30%	30%	31%	33%	30%
Operational risk, IT ...	8	4%	29	13%	66	30%	94	43%	21	10%	9%	10%	13%	12%
Capital adequacy	24	11%	49	22%	51	23%	66	30%	28	13%	14%	23%	21%	22%
Liquidity	29	13%	55	25%	54	25%	53	24%	27	12%	12%	23%	20%	18%

Others

Regulatory knowledge	Very limited								Very good		2023	2022	2021	2020
Regulation in general	0	0%	0	0%	8	23%	18	51%	9	26%	28%	48%	28%	52%
Governance, Risk, control	0	0%	1	3%	9	26%	13	37%	12	34%	44%	50%	36%	48%
Operational risk, IT ...	0	0%	4	11%	9	26%	15	43%	7	20%	17%	33%	21%	32%
Capital adequacy	0	0%	0	0%	7	20%	16	46%	12	34%	25%	10%	16%	10%
Liquidity	0	0%	0	0%	6	17%	18	51%	11	31%	20%	9%	12%	11%

All

Regulatory knowledge	Very limited								Very good		2023	2022	2021	2020
Regulation in general	0	0%	11	4%	60	24%	128	51%	53	21%	25%	35%	27%	29%
Governance, Risk, control	3	1%	12	5%	58	23%	102	40%	78	31%	34%	33%	34%	32%
Operational risk, IT ...	8	3%	33	13%	75	30%	109	43%	28	11%	12%	13%	14%	14%
Capital adequacy	24	9%	49	19%	58	23%	82	32%	40	16%	17%	22%	20%	20%
Liquidity	29	11%	55	22%	60	24%	71	28%	38	15%	15%	22%	19%	18%

[3] Sweden: Finansinspektionens föreskrift FFFS 2014:1
[4] Sweden: Finansinspektionens föreskrifter FFFS 2014:4 och 2014:5
[5] 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 2024 with 2018-2023

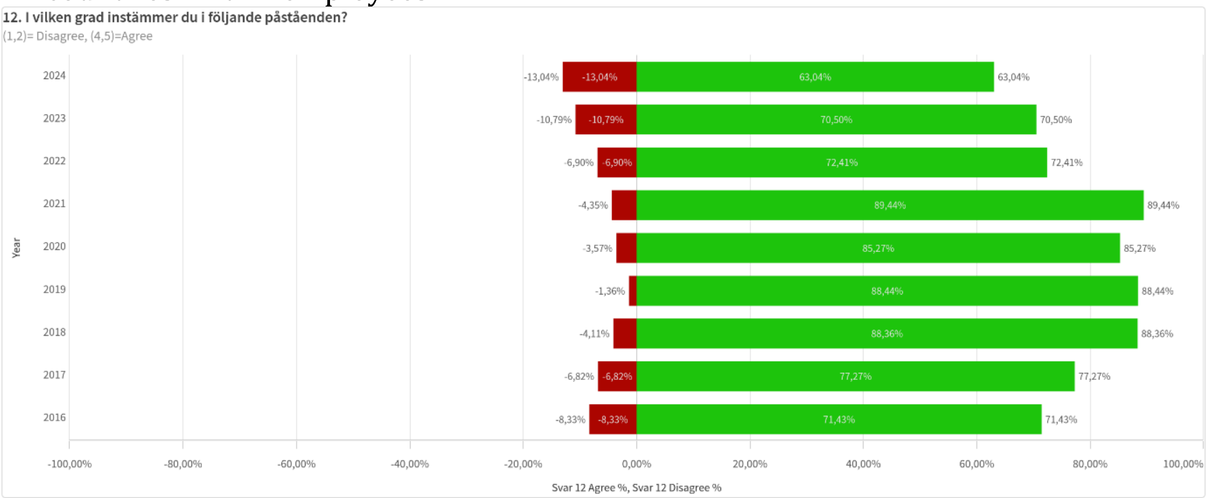
Here are the figures from the 2018-2023 report that led to the conclusions in the report compared with the same figures for 2024. The results are the same between the years and I have chosen not to comment all of them. Remember that the number of respondents in Norway, Denmark and Finland is limited and vary between the years.

Competition on the banking market

Figure 13 - Competition

Statement: The banking industry will get increased competition from other players within 0-2 years.

All countries – Bank employees



Norway, Denmark & Finland- Bank employees

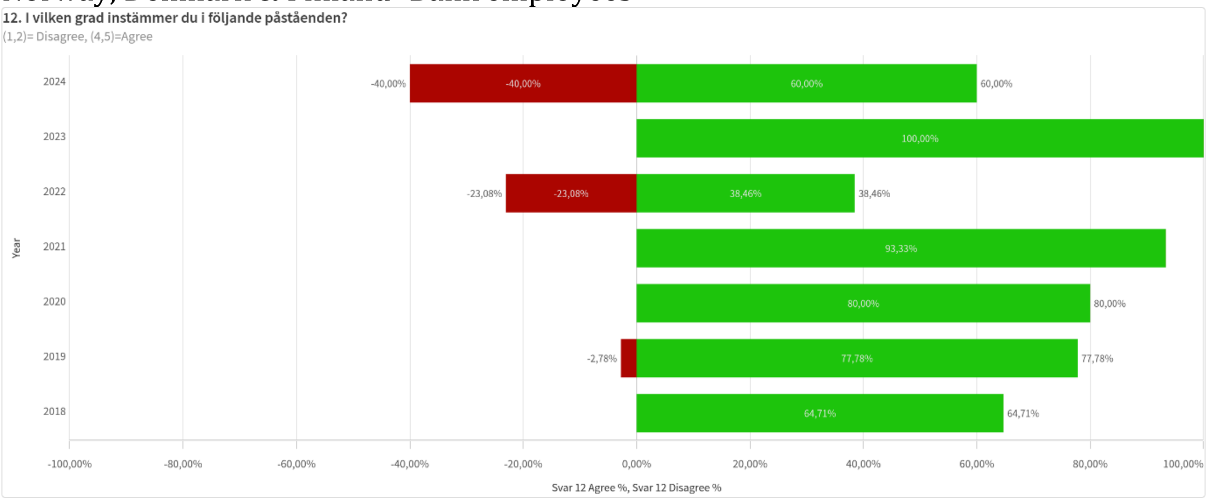
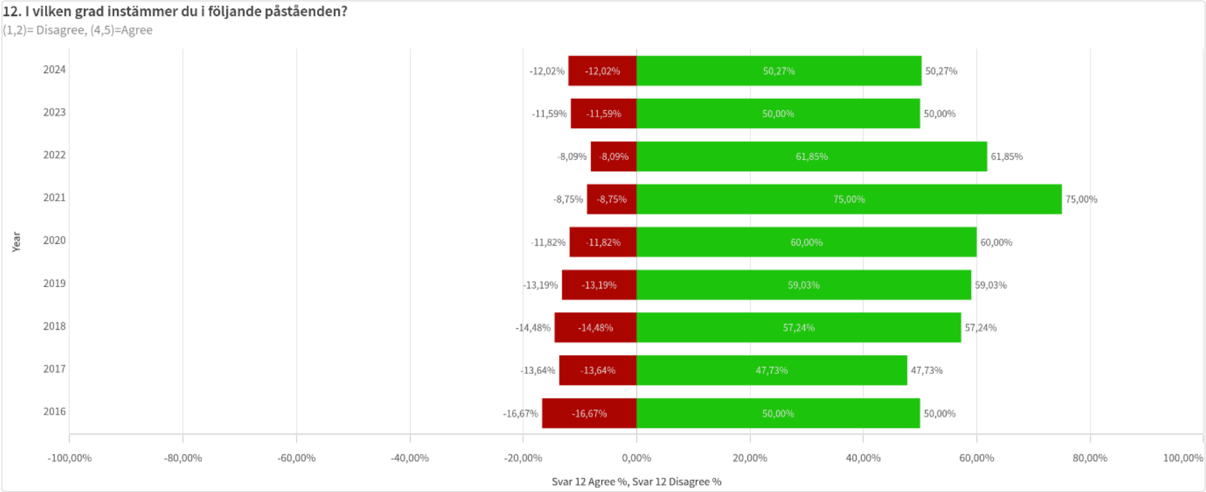


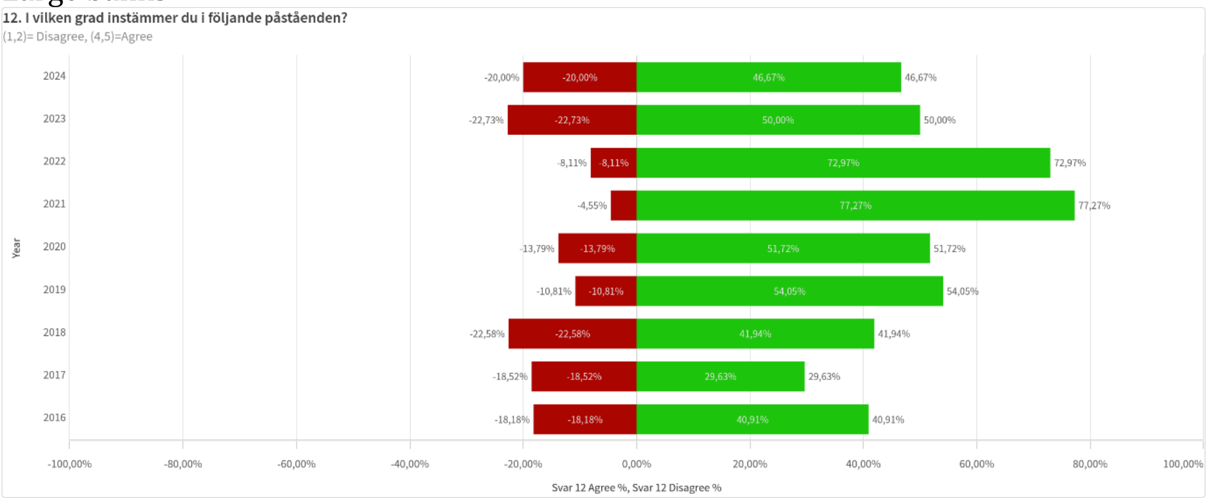
Figure 14 - Difficulty distinguish products.

Statement: Competition makes it more difficult for banks to distinguish their products from other actors' offers.

All banks



Large banks



Small banks

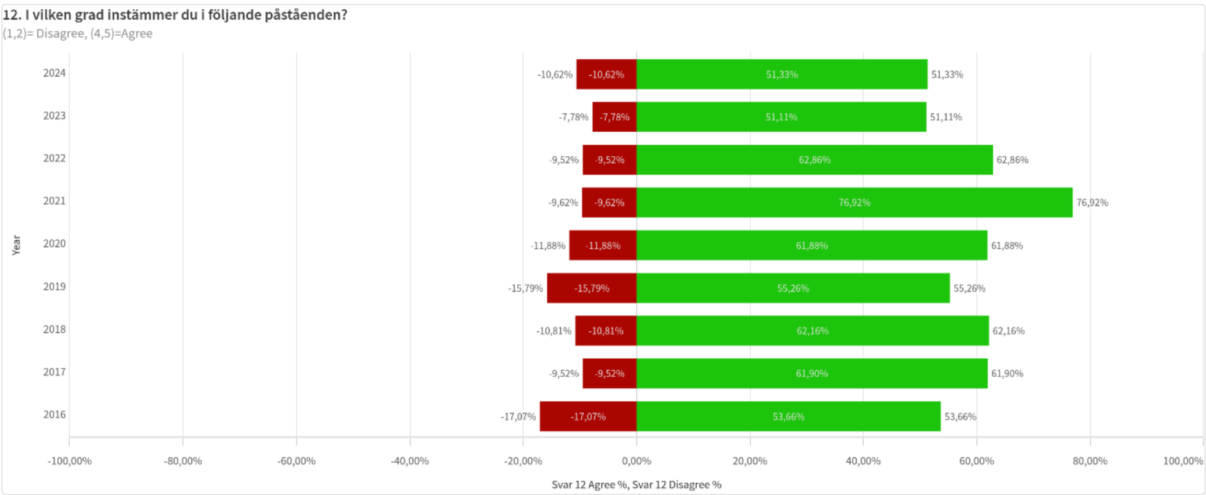
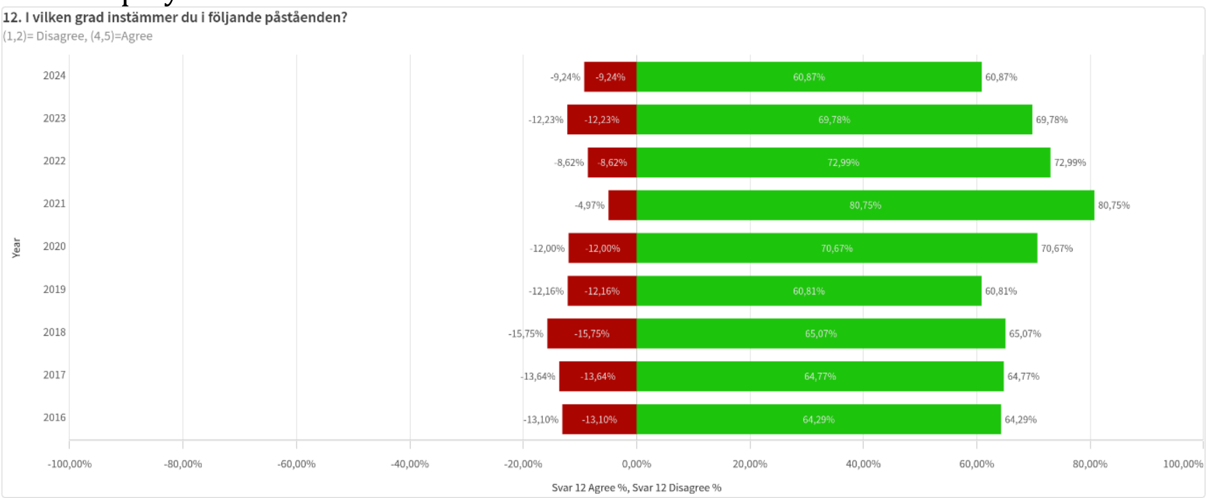


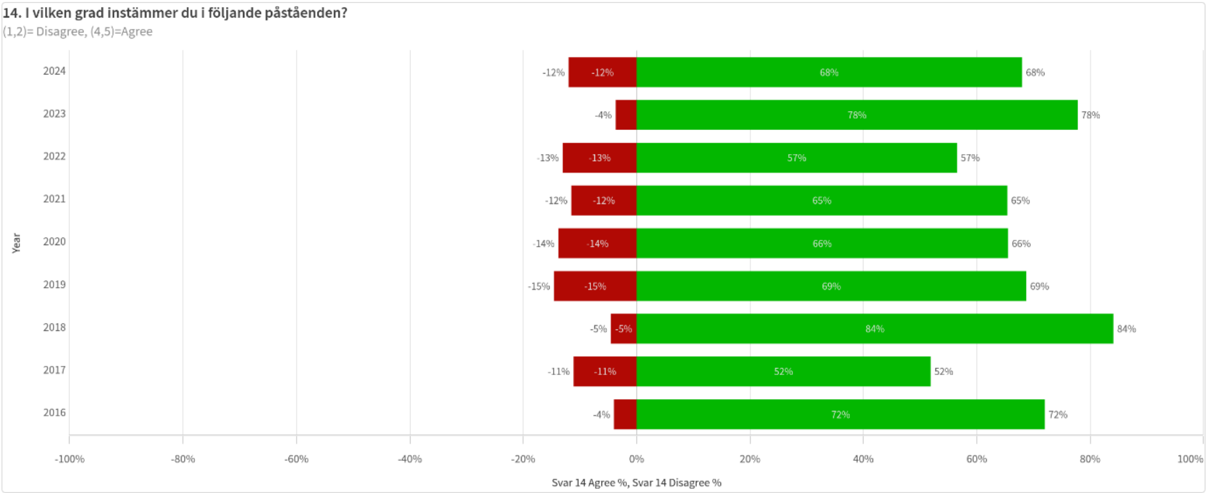
Figure 15 - Other actors, development capacity

Statement: Other actors can easier develop specific customized solutions than the banks.

Bank employees



Others

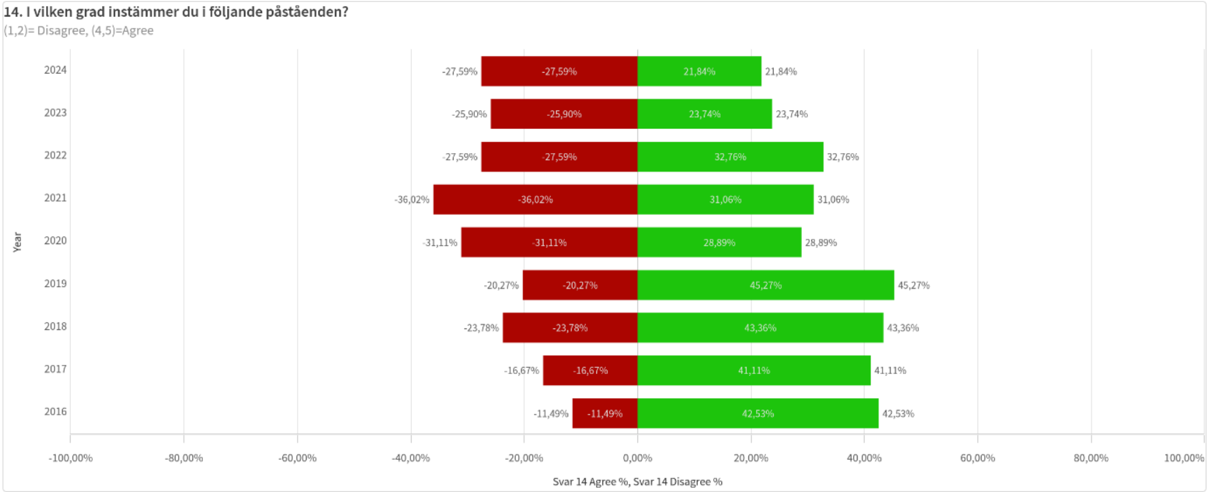


Effects on banks – product and process

Figure 16 – Restrictions on product offer

Statement: Changes in capital adequacy rules cause restrictions on the products that the bank offer – Bank employees

All countries



Norway, Denmark & Finland

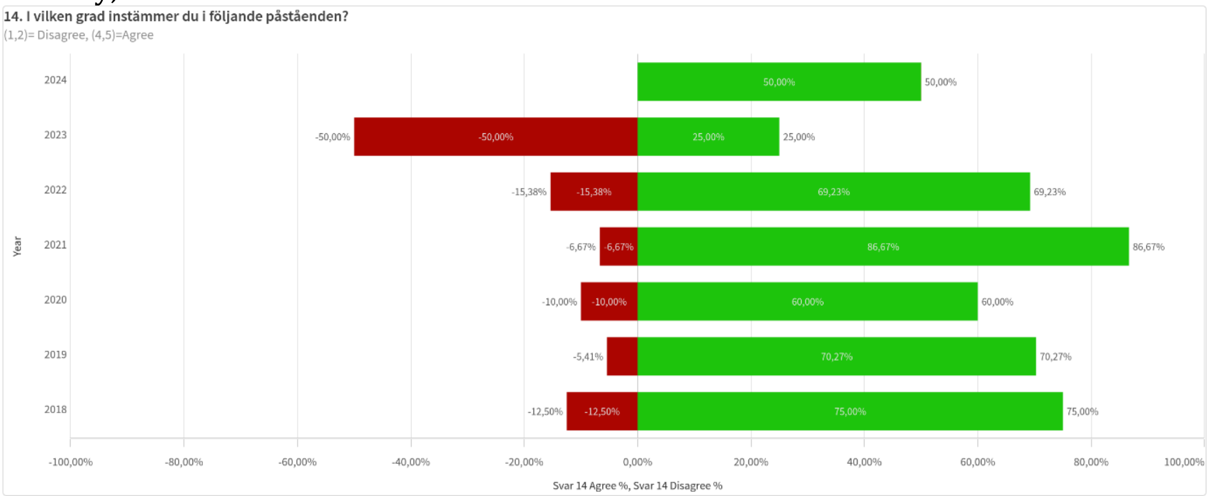
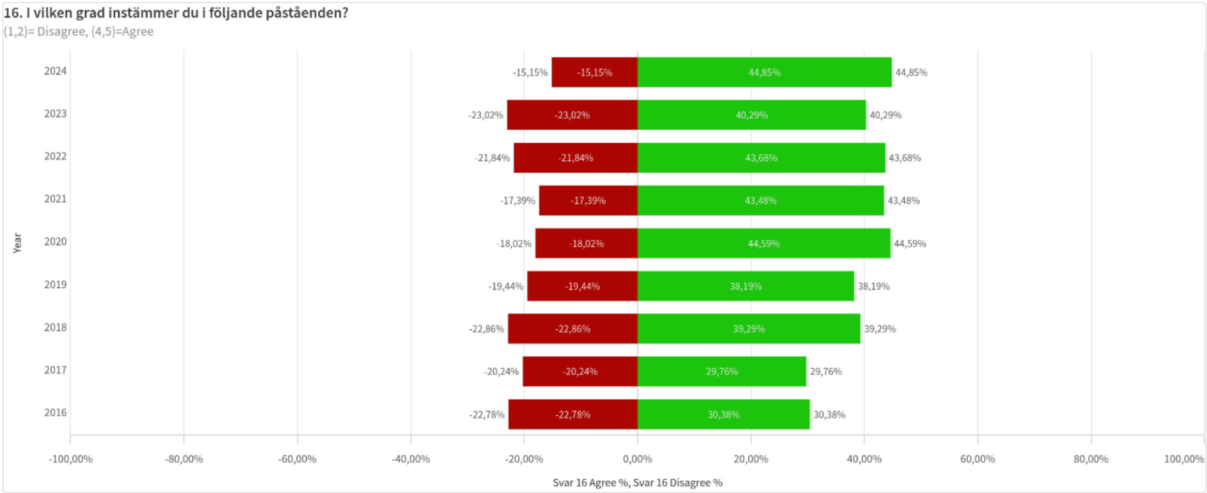


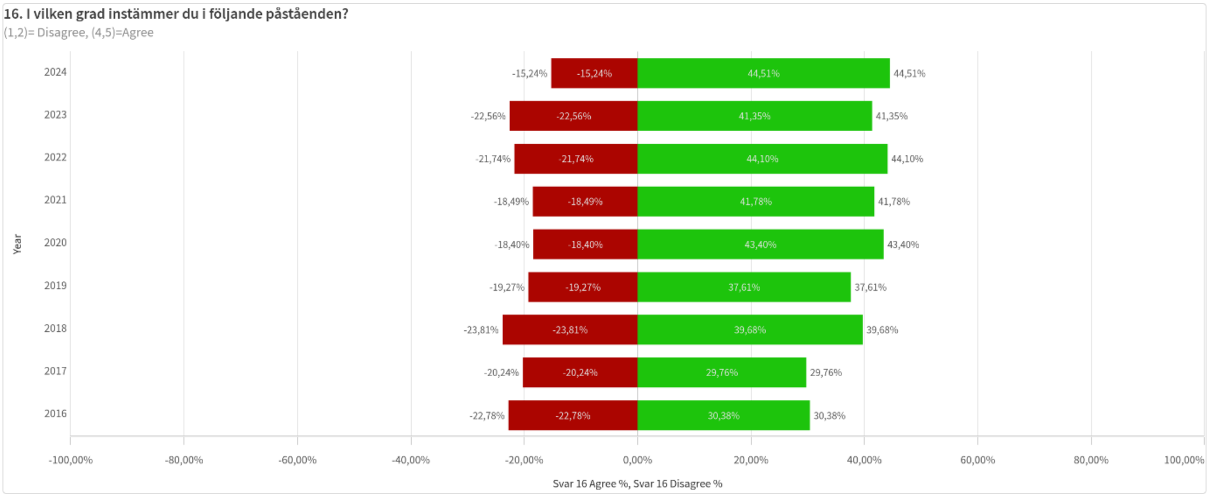
Figure 17 – Organization well aligned

Statement: The bank's organizations is well aligned with the processes

All countries



Sweden



Norway, Denmark & Finland

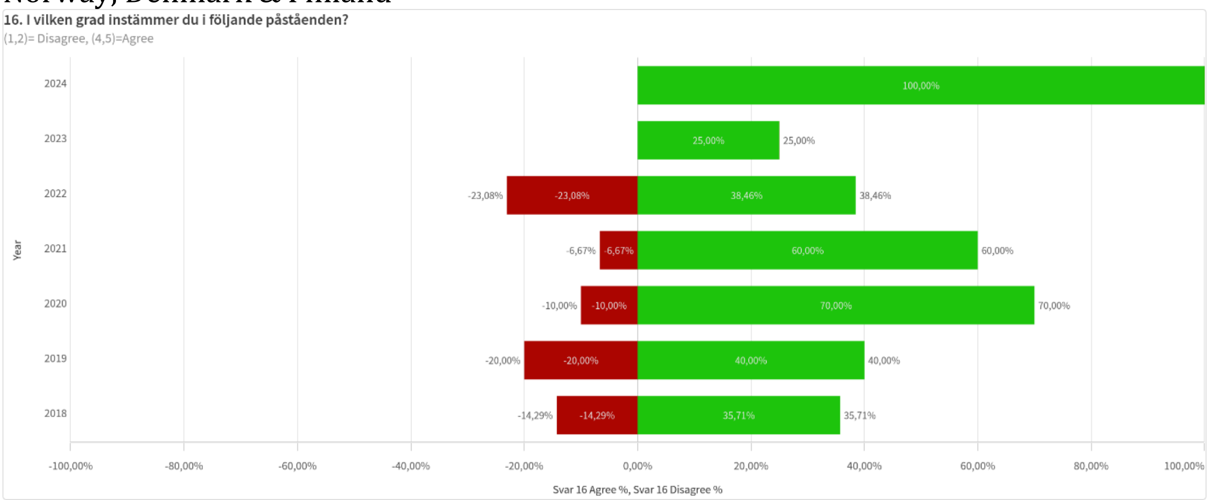
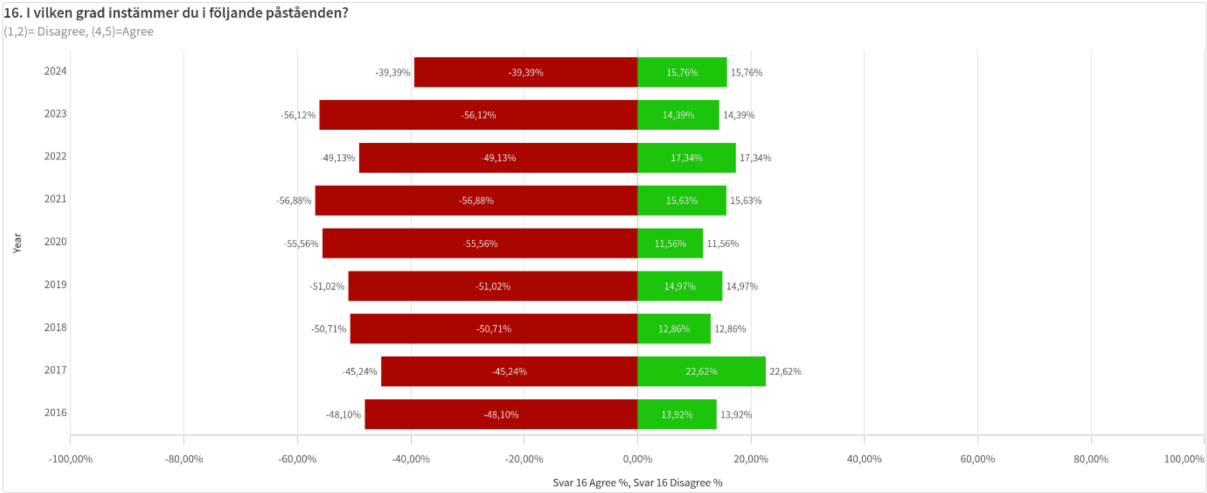


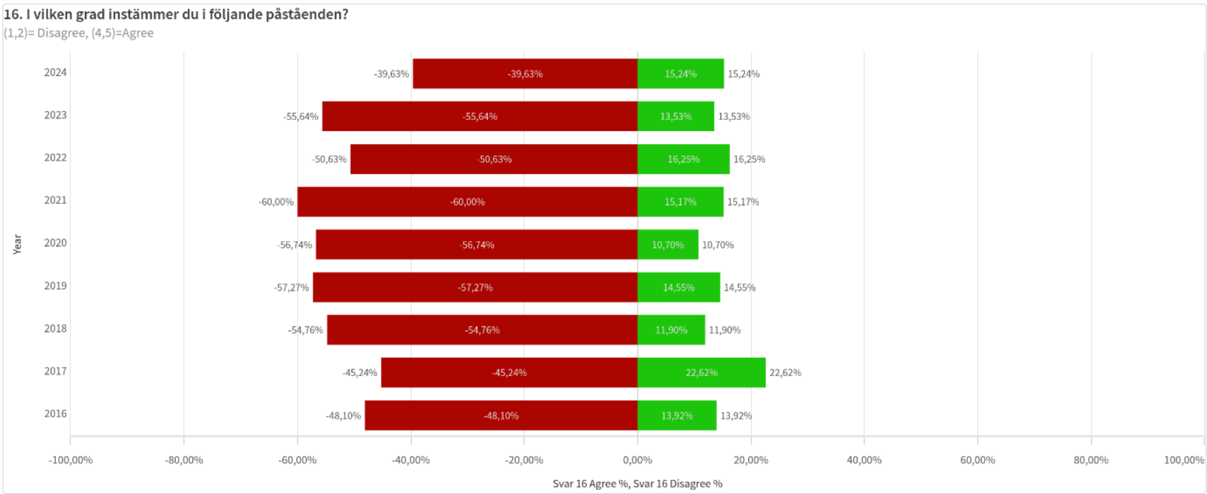
Figure 18 - Unique processes

Statement: The bank has unique processes that are difficult to mimic and give rise to a competitive edge.

All countries



Sweden



Norway, Denmark & Finland

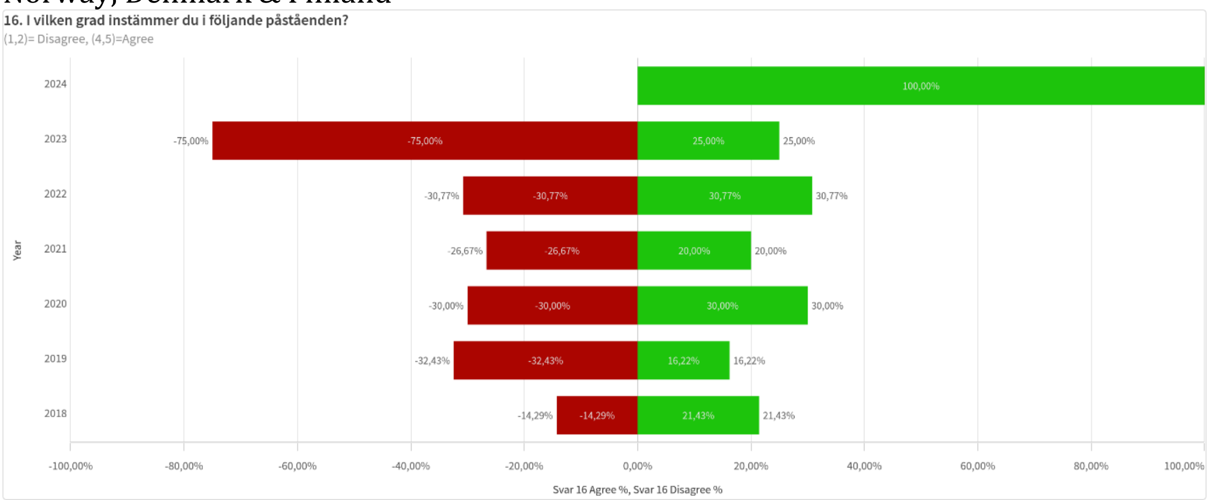
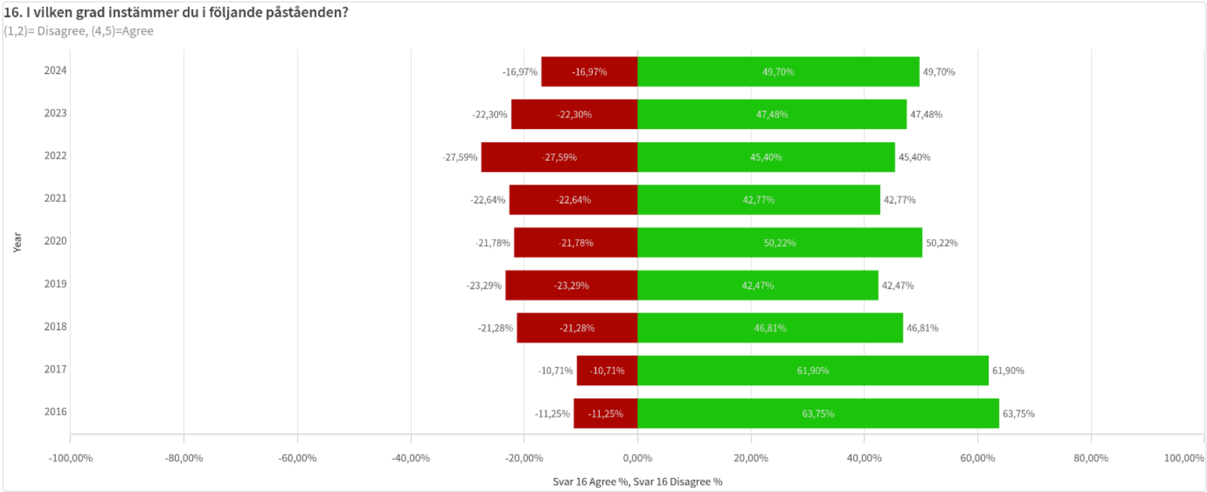


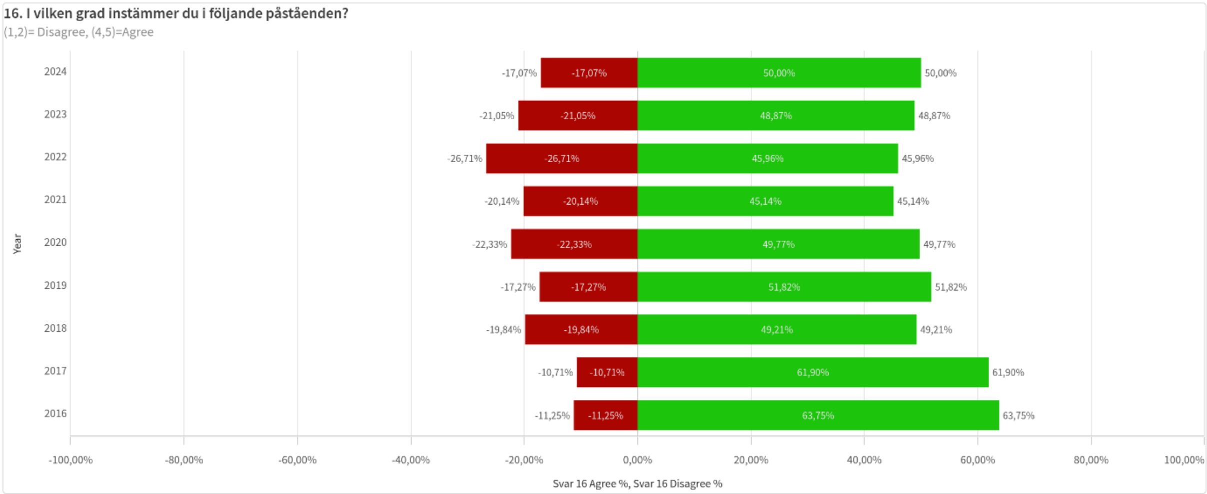
Figure 19 – Regulatory change is positive for clear and systematic processes

Statement: Regulatory changes are positive because it makes the bank develop clearer and more systematic processes.

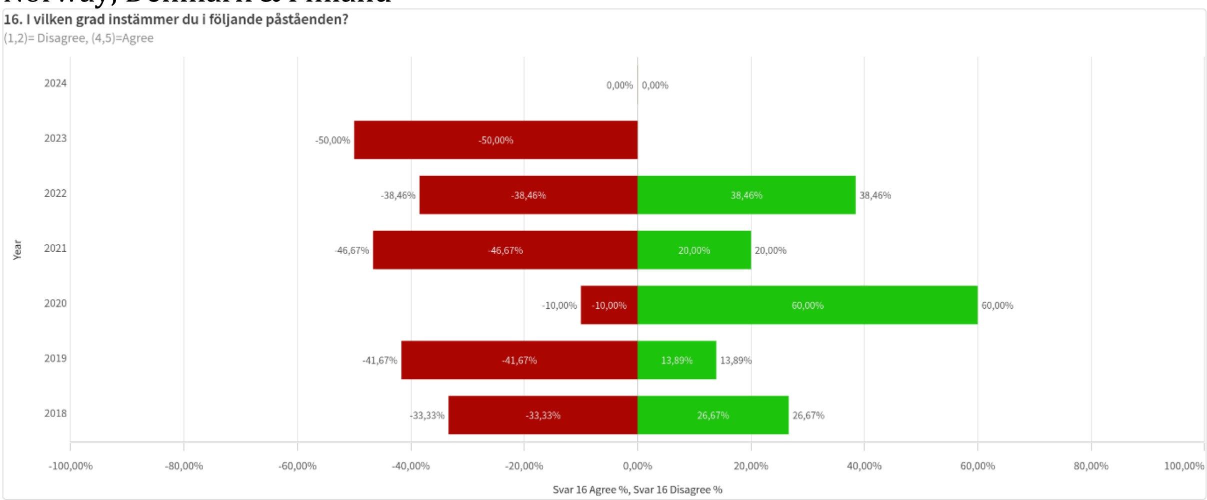
All countries



Sweden



Norway, Denmark & Finland

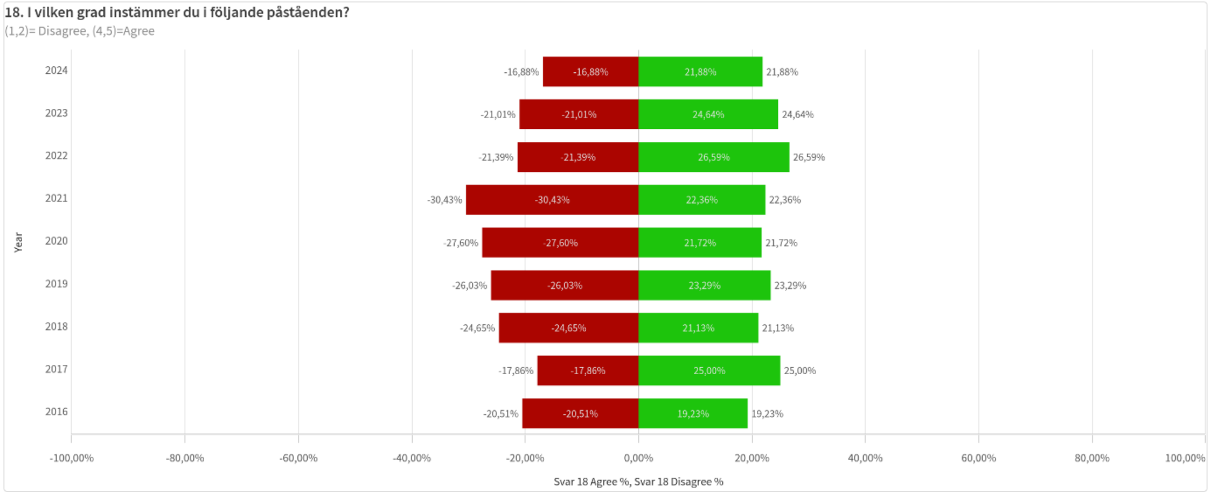


Leadership

Figure 20 - More difficult to recruit managers

Statement: In the last 0-2 years, it has become more difficult to recruit managers to the bank.

All countries



Norway, Denmark & Finland

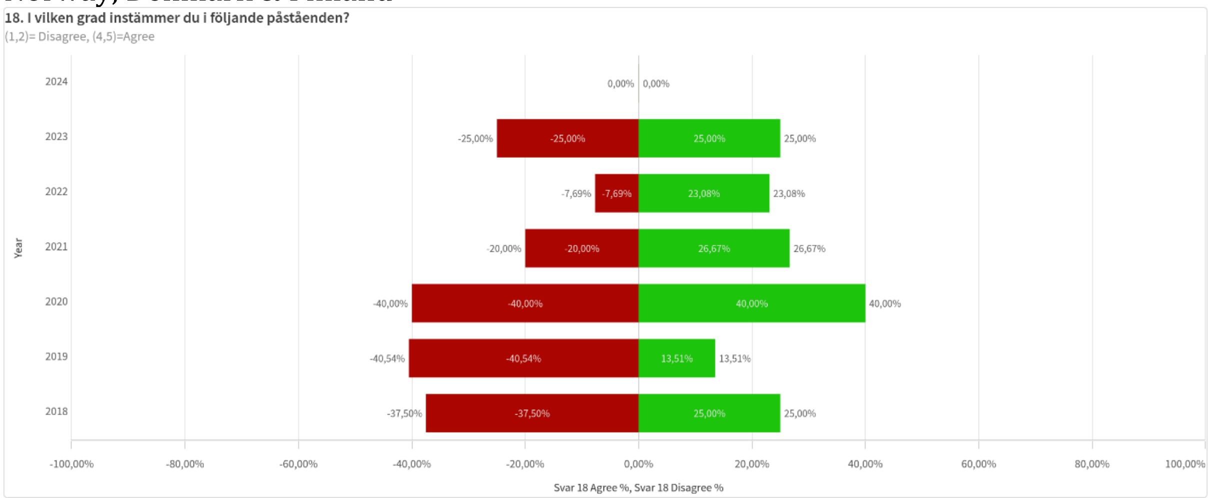
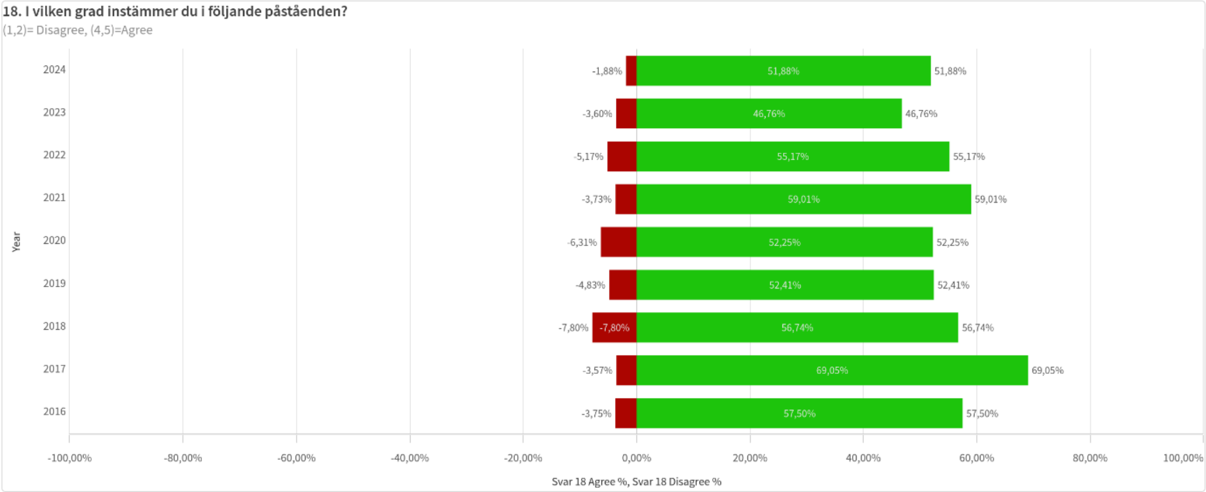


Figure 21 - More difficult for managers recruited outside the banks

Statement: In the past 0-2 years, it has become more difficult for managers recruited outside the banking industry to adapt to regulatory requirements in the bank.

All countries



Norway, Denmark & Finland

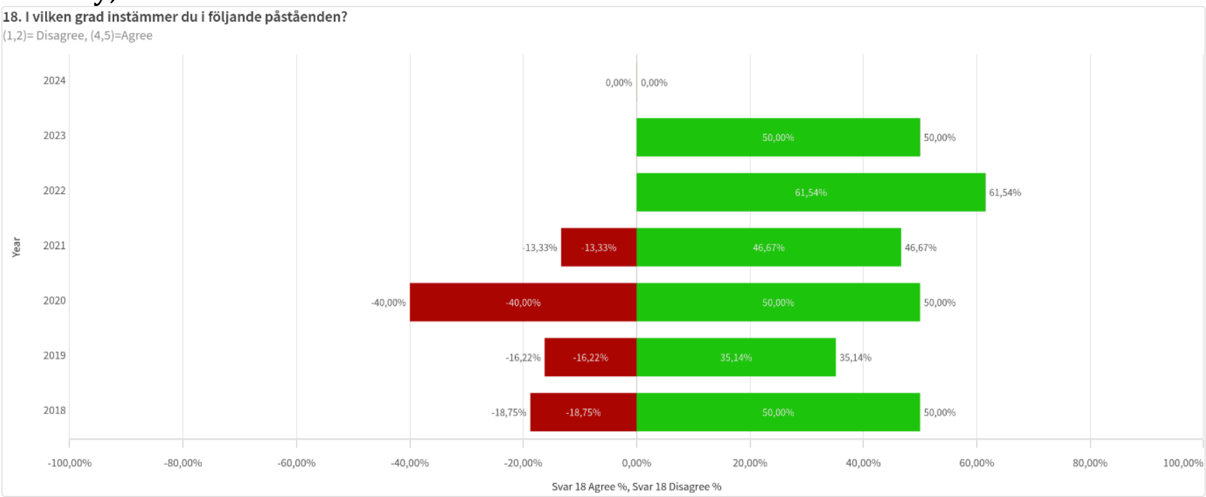
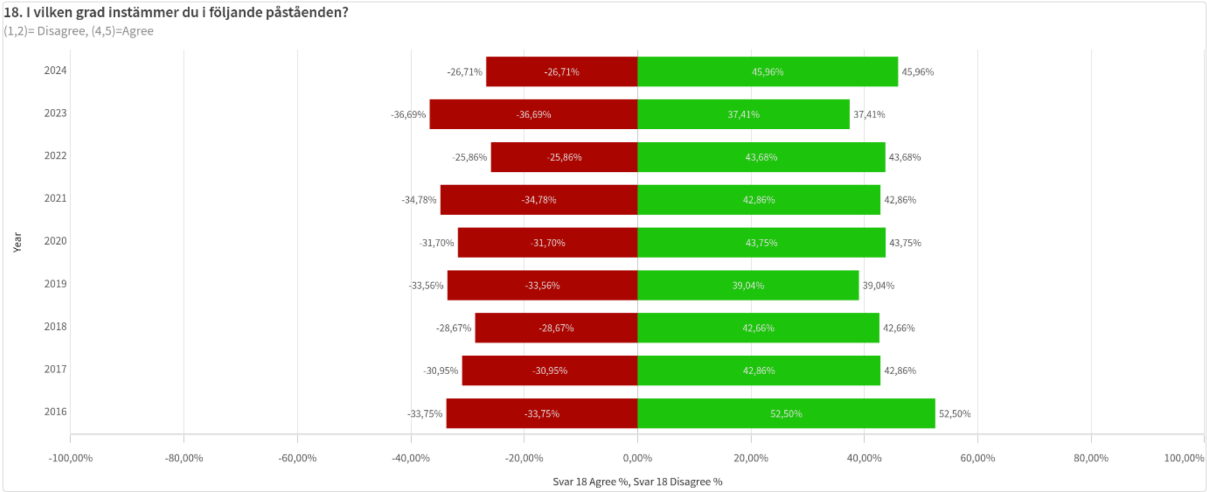


Figure 22 – Managers need to be formalistic

Statement: Leaders and managers in the banking industry need to become more formalistic / bureaucratic to meet the requirements of the regulation.

All countries



Norway, Denmark & Finland