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Swedish Guarantee Program for Banks Concluded

Riksgalden/Swedish National Debt Office

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Swedish guarantee programme for banks concluded

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Sweden’s government guarantee programme for banks and mortgage institutions is now closed as the last outstanding loan has been repaid. The programme, which was introduced during the financial crisis in 2008, contributed to financial stability and resulted in a surplus of SEK 6 billion for taxpayers.

The aim of the guarantee programme was to facilitate funding for banks and mortgage institutions and thereby improve conditions for company and household borrowing. At its peak, the government had outstanding guarantees of a total of SEK 354 billion (in June 2009) to six banks and mortgage institutions.

– Now that the guarantee programme has come to an end we can put the support measures from the financial crisis in 2008–09 behind us. The state guarantees helped buoy lending during the crisis, alleviating the effects of the crisis on the economy, says Hans Lindblad, Director General at the Swedish National Debt Office.

The surplus from the programme is a result of banks and mortgage institutions paying fees to participate, while the Debt Office did not have to honour any guarantees.

As the support measures are now concluded, the Debt Office is focusing on preparing for the new role as Sweden’s resolution authority, responsible for both planning and managing crises in financial institutions according to the Bank Recovery and Resolution Directive.

– It is important that the government can handle a failing bank in a way that prevents the crisis from spreading in the financial system. With the new EU rules, shareholders and creditors will primarily bear losses, not taxpayers, says Hans Lindblad.

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