

'Serious stability risk' for Swedish banks

Written by AFP / The Swedish Wire

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Sweden may have some of the strongest public finances in Europe but its banks are more vulnerable than most in the current euro debt crisis, Finance Minister Anders Borg said in an interview published Wednesday.

"Sweden does not have access to the liquidity that the ECB (European Central Bank) provides the euro countries," Borg told financial daily Dagens Industri (DI).

The Scandinavian country, a member of the European Union but not of the eurozone, "is dependent on our own central bank and our own krona and we are therefore more vulnerable than many other countries," the finance minister said.

He stressed that the liquidity crisis hitting European banks was at the core of the turmoil seen in recent months and pointed out that "Swedish banks' financing in foreign currencies has risen over the past four to five years.

"That represents a serious stability risk for the Swedish economy," he said.

Borg said earlier this week the country needed a way to dampen borrowing in foreign currencies and to create better tools to ensure liquidity.

"We're thinking of imposing some kind of liquidity fee (on the banks) that in turn could be used to strengthen the currency reserves," he told DI Wednesday.

The fee, which Borg proposed on Monday, would allow the Swedish state to make up for the use of its currency reserves in times of crisis to help struggling domestic banks.

Several Swedish banks criticised the proposed fee.

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"At a time when things are so shaky in Europe we do not need more initiatives that create market uncertainty," Kerstin af Jochnick, who heads the Swedish Bankers' Association that represents the country's banks, told DI.

Borg meanwhile stressed the need for the European Union to find "constructive solutions to end the market turbulence and allow the recovery to resume.

"The stability of the banks is a European question and is not just a matter of the eurozone bank system," he said, pointing out to Swedish public radio that the heavily export-dependent Scandinavian country was severely threatened by Europe's ballooning debt crisis.

"Basically all of our exports are dependent on credit-lines. If there is no working European credit market the situation will be very tough," he warned.