



EMN Legislative Mapping Report SWEDEN



November 2023

This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries.

The national factsheets cover the following thematic areas:

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Regulation of Lending Activity

In Sweden, there is no specific regulation on the provision of microfinance. Non-bank financial intermediaries are regulated under the legal framework for consumer and corporate credit institutions and the consumer credit law. The legal status of non-bank financial intermediaries providing microcredit include corporations and other types of companies such as cooperatives.

To provide loans, non-bank lenders need to register with, or seek authorisation from, the main supervisor of financial system: the Swedish Financial Supervisory Authority (FI).

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Supervisory Framework for Non-Bank Lending

The FI is responsible for authorising, registering and supervising financial intermediaries in the Swedish market, including non-bank lenders.

Non-bank financial intermediaries that provide consumer credits need to be authorised by the FI. They must comply with specific requirements in terms of capital and liquidity buffers, Anti-Money Laundering (AML) controls, and mandatory reporting, etc.

Non-bank lenders providing credit to businesses must be registered with the FI but have no requirements in terms of capital, liquidity buffers or general reporting. However, they must follow the same requirements with respect to the AML & anti-terrorist regulatory framework and mandatory reporting. Otherwise, the standard codes of conduct and reporting standards for regular corporations are applicable.

There is no national credit bureau in Sweden since corporate credit bureaus operating in the private sector dominate the market. Banks and non-bank lenders that have signed an agreement with the credit bureaus to report their loans and can access credit bureau data on customers and loans. It is worth noting that data on non-profit companies is very limited due to the limited reporting requirements. This creates issues to finance the social economy since there is a lack of sources to determine credit worthiness.

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Products

Depending on the type of authorization received from the FI, non-bank financial intermediaries can disburse both consumer and business loans. The legislation does not have any restrictions regarding the loan amount or loan term. There is no interest rate cap regulation in place. However, there is a strong history of consumer credit organisations stipulating best practices in terms of how loan terms should be advertised to consumers.

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Incentives and Support

In Sweden, there are no national or regional funds dedicated to support microcredit provision by non-bank financial intermediaries. There are no tax deduction schemes available to individuals or organizations to help promote financial support for microcredit provision.

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Development of the Existing Framework for Non-Bank Microcredit Provision

Historically, the provision of microloans in Sweden was primarily limited to the activities of one public institution and one bank, where their focus was directed towards serving the financial needs of conventional and profit-driven enterprises. These two organisations are complemented by a couple of small business advisor organisations that provide microloans to underserved entrepreneurs and a guarantee fund that addresses the needs of social economy sector. A new trend has been the introduction of Fintechs that offer online applications for both consumer and corporate credit. A public debate around this trend is ongoing, including on how to regulate these companies.

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Inclusive Entrepreneurship and Microenterprise Development

Several programs paid for by the Swedish government subsidise education and information related to starting a business. Publicly subsidised business development services (BDS) are widely available to microentrepreneurs. Moreover, the Swedish Agency for Economic and Regional Growth offers financial support to programs that facilitate the creation of new businesses. The agency is currently financing programs with a special focus on digital, migrant and female start-ups.

There are possibilities to study entrepreneurship as part of the educational program at both the secondary and university level. There are no special administrative procedures for solo and/or micro entrepreneurs. There is a limited possibility for unemployed individuals to apply for a six-month government support scheme to establish a business, which can be registered as either a solo-enterprise or a corporation. A growing number of companies in Sweden support microentrepreneurs with bookkeeping, administration, hiring, etc.

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Digital Transformation

When it comes to online sales, marketing and subsequent data management (security and storage), Swedish non-bank intermediaries are required, like other companies in Europe, to implement GDPR regulation on data protection. They are required to submit an annual AML report.

Compliance with the Swedish legislation transposing the AML directive is relevant to MFIs that want electronically verify clients' identities and further automate the client assessment process (e.g., gathering data from multiple external sources).

Additionally, for client identification, MFIs can only work with providers that are compliant with the national and eIDAS regulation on electronic identification and trust services (e.g., digital signature).



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