STOCKHOLM SCHOOL OF ECONOMICS

BACHELOR THESIS IN FINANCE

How Sweden Manages Fund Management

- a descriptive and analytical assessment of central Swedish law and regulation concerning fund investment in the 1990-2007 period

Michael Truong* Axel Edgren‡

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Abstract

Private fund investment in Sweden is important to households, and fund investor interests are considered in legislation and regulation. There is a lack of studies covering the role of Swedish legislation and regulation in safeguarding these interests. A descriptive review of major regulatory codes and laws in the 1990 to 2007 period is conducted, after which select changes made effective in 2004 are highlighted. Using a statistical database for the years 1999 to 2007 covering, *inter alia*, the disclosure of fees to customers, it is tested 1) if disclosure of the Total Expense Ratio increases following new regulation in 2004, and 2) if benefits to customers from investing in Swedish equity funds has fallen cause of increasing fees following a 2004 law change. Testing the second hypothesis involves a regression of fund returns on stock market benchmarks as well as Fama-French and Carhart factors. The results support the first hypothesis but not the second. It is noted that while Swedish fund companies have abstained from increasing fees under the new legal cover, the performance of their equity funds fall below the fees charged for management.

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*50033@student.hhs.se

‡21923@student.hhs.se

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Introduction

Since the introduction of the first Swedish mutual fund in 1958[1], the number of funds available has increased, as has the total wealth invested by Swedish households and various institutes. According to statistics from Fondbolagens Förening ("The Swedish Investment Fund Association"), there were 17 mutual funds available in 1979, and 4000 by the year 2009[2]. The total capital in mutual funds has risen from 1 billion SEK to 1200 billion SEK in the same time period[3]. A fund provides a relatively easy path to a diversified investment portfolio that is less time-consuming, as a fund unit represents a set portion of diversified fund holdings. The control over what placements are made is given to the company or business managing the fund, and it is up to the investor to leave the fund if he or she feels the management is poor.

Fund savings are arguably an important factor in Sweden's economy. The article "Här är Sveriges fondhistoria" ("This is Sweden's history of funds") (2008) shows that up to 98% of the adult population is investing in funds with public pension savings included, making Sweden a "world champion" in mutual fund investing[4]. In 2010, a virtual 100% of the grown up population was investing in funds one way or another. Even when disregarding public pension savings, 82% of the Swedish population aged 17-74 years invested in mutual funds in 2010, up from 74% in 2008[5]. Fund investment is seemingly not exclusive to older generations, and is likely to remain important not only as a part of the pension system, but also as an additional pension buffer or a possible source of financial wealth for households.

The Swedish fund market provides many alternatives for private savings adapted to many kinds of preferences and risk profiles, but also a degree of complexity that can create difficulty for a layman when choosing funds. While monitoring of fund-managing companies in Sweden is provided by public agencies and the media, and investors are enabled to examine fund activity before or during unit ownership, there have been reports of fund returns not matching fund fees, both from the media and peer-reviewed studies (see Prior Research). As an example, fees and

[1] https://www.avanza.se/aza/press/press_article.jsp?article=87003, "Här är Sveriges fondhistoria" ("This is Sweden's history of funds"), 2009-05-27, Jesper Strandberg

[2] http://www.fondbolagen.se/Documents/Fondbolagen/Studier%20-%20Dokument/30_ar_studie.pdf," 30 år med fonder" ("30 years with funds"), p.6, Fondbolagens Förening, 2009

[3] Ibid.

[4] "30 år med fonder" , p.6, Fondbolagens Förening, 2009

[5] http://www.svd.se/naringsliv/nyheter/sverige/varldens-mest-fondsparande-folk_7030797.svd#E24, "Världens mest fondsparande land" ("The world's most fund-using country"), 2010-05-11, Strandberg, Love

costs being presented in a manner that makes it difficult to see their impact on savings is unlikely to be in the interest of investors[6].

Thesis structure

As seen above the thesis begins with considering the situation in the Swedish fund market. Next, the problematization specifies areas of interest or concern where a thesis can provide insight, and thesis objectives and necessary limitations are then established. Prior research related to the thesis is described. The descriptive part of the thesis begins with a description of the documents examined, followed by explanations necessary for reader comprehension of legislative and regulative matters concerning Swedish funds in particular. The next section describes and criticizes the methodology of the descriptive work, continuing on to a description of the results. From the descriptive results, two hypotheses can be specified. The analytical part of the thesis begins with a description of the data used, after which underlying financial theory is outlined to facilitate understanding of results. Next, the analytical methodology is covered and criticized for the two hypotheses respectively, after which the results can be described and analysed. With the hypothesis tested, the thesis next suggests topics for further research, discusses the implications of the descriptive and analytical results, and concludes.

Problematization

Few previous studies concerned with the financial effects of Swedish fund legislation can be found. One study consisting of a general evaluation of legislation in Nordic countries found that public supervision measurably affects the financial market development[7]. Strong legal obligations for the supervisory agency to develop legislation correlate with higher company values; formulation of supervisory objectives in more economic aspects corresponds with higher market profitability and higher monetary sanctions against company directors as well as supervisory independence correlate negatively with market growth. Anne-Marie Pålsson has used a similar approach in her articles, with a descriptive account of certain paragraphs in Swedish legislation, followed by an analysis of how the text of the law has measurable implications for fund

[6] http://www.affarsvarlden.se/tidningen/article3287789.ece, ”Akta dig för bankernas råd!” (”Watch out for banks’ advice!”), 2011-10-11, Jesper Strandberg

[7] “Regulatory Choices in Global Financial Markets: Restoring the Role of Aggregate Utility in the Shaping of Market Supervision”, p.8, Granlund, Peik, 2008

operations. The findings include an explanation of how fund investment limitations could lead to reduced shareholder activism[8] and fund preferences for investing in larger companies[9].

Another study highlights Swedish mutual fund legislation from a general point of view while focusing on the treatment of Swedish and foreign hedge funds by Swedish law[10]. The review covers matters such as the legal definition of a mutual fund and the history of fund legislation, making it useful as a point of reference. In addition to these, there are sources which are not peer-reviewed but suggest a popular concern with fund fees and the management unit owners receive in return. "Historien din bankman inte vill berätta"[11] ("The story your bank official does not want to tell") considers 80% of the fees placed on fund savings in banks to be poorly visible to customers. The editor in chief of the Swedish iteration of the fund analysis institute Morningstar, Jonas Lindmark, has also brought up an example of the relevance of legislation. In an article[12], it is described how a paragraph in the 2004 Investment Funds Act changes how fund company responsibility towards its customers is defined, and that it could have negative consequences for private investors. To obtain results indicating whether this is the case or not could suggest the relevance of private fund legislation for fund customer interests.

There appears to be a lack of studies providing a thorough historical summary of the developments in Swedish laws and regulations concerning the fund market, and their effects on fund market variables. The comparison of laws and regulations with suitable data could provide indication of their effectiveness from the point of view of the unit owners. More specifically, have certain changes to fund legislation or regulation had measurable impact when important variables like fees or information disclosure to customers are examined before and after the changes are made effective?

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[8] " Fondbolagen – de ovilliga och olämpliga ägarna" ("Fund companies, the unwilling and unsuitable owners"), Pålsson, Anne-Marie, *Ekonomisk Debatt 2001*, årg 29, vol 1

[9] " Fondlagens placeringsbestämmelser och avkastningen på små och stora företag" " ("Placement limitations of the fund act and the returns on small and big companies"), Pålsson, Anne-Marie, *Ekonomisk Debatt 2002*, årg 30, vol 5

[10] "Hedgefonder och svensk lagstiftning" ("Hedge funds and Swedish legislation"), Saalman, Henrik, 2005

[11] Historien din bankman inte vill berätta " ("The story your bank official does not want to tell"), Arnbäck, Alexandre & Pavitt, Trevor, 2011, ISBN: 9163392178

[12] http://www.morningstar.es/es/news/article.aspx?articleid=31428&categoryid=145, "Nu slipper fondlbolagen hymla med avgifterna" ("The fund companies can now stop prevaricating on fees"), 2004-04-16, Jonas Lindmark

Thesis Objectives

The **first objective** of this thesis is to provide a descriptive summary of selected legislation and regulation during the 1990-2007 period. The summary is meant to preserve the meaning of the original documents, while the selection of laws and regulations is made with respect to the available data and the aspects of fund operations covered. A brief overview of the legislative and regulatory system in Sweden is included, providing necessary knowledge for non-Swedish readers. The **second and main objective** will be to analytically test the actual effects of certain legislation and regulation changes deemed important from a unit owner's point of view. This requires that a valid and reliable test is made possible by the data available.

Thesis Limitations

While the purpose of the paper is to outline changes, there is no intention of providing a word for word translation of texts or a descriptive review of the legislative processes behind the relevant legislation or regulation. Because of the limitations of the data, only legislative or regulatory changes in the 1990-2007 period can serve as hypotheses bases. Moreover, data of hedge funds will not be used in the statistical analysis of this paper due to their high in-group variation, selective adherence to laws or regulation and their limited customer bases. Lastly, analysis or other discussions will be limited to the context of private, voluntary savings outside of the AP ("Public pension"), PPM ("Premium pension") or Tjänstepension ("Occupational pension") systems., where fund operations are more varied and there is higher vulnerability and flexibility for a private investor. Fund savings part of public pensions are legislated to have low fees, risk and uncertainty.

Prior Research

A lot of work has previously been conducted in the area of funds, including Swedish funds. In particular, numerous works have been studying the fund's management fees and the implications of these (see for example Stening & Hellström (2010)[13], Jensen (1968)[14], Fama (1970)[15], von Bahr

[13] "Aktivt förvaltade fonder: Är Sverigefonder skuggfonder?" ("Actively managed funds: are Swedish funds shadow funds?"), Stening, Gustav & Hellström, Rickard, 2010

[14] "The Performance Of Mutual Funds In The Period 1945-1964", Jensen, Michael C., 1968

[15] "Efficient Capital Markets: A Review of Theory and Empirical Work", Eugene F., Fama, 1970

& Lundgren (2009)[16], Carhart (1997)[17], Kostovetsky (2003)[18], Sparreus & Nordström (2008)[19]. All of the mentioned studies conclude that management fees compared to returns from management are not adequate. Studies with opposing conclusions are not as numerous. Nilsson & Niclasen (2001)[20] studied four Swedish funds to assess their performance in terms of reaching the threshold for a performance-based extra fee, with two of the funds contributing to unit owner returns even when charging the additional fee.

One study discusses the difficulties of grasping the true extent of fees paid for Swedish unit owners[21]. The authors suggest that not only is the method of comparing the returns to the fund itself over time inadequate, but also that the provision of information from the fund companies on charged fees is not helpful to the customer. It could be worthwhile to see if changes in legislation and regulation have made any difference in this area.

Some research on US fund legislation is based on analysing the effect of a law change, namely 36(b) of the Investment Company Act[22]. Its effects concerning excessive fees to investment consultants turned out to be ineffective due to its requiring a plaintiff to evaluate data that is either impossible to find or is subject to disputes for an investor pressing charges. Similarly to this thesis, a descriptive analysis was made of the law text and measurable implications thereof were studied. Another study[23] also studies the effect of the 36(a) - (b) section of the same act. It

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[16] ”Aktiv fondförvaltning - Ger aktivt förvaltade fonder en bättre riskjusterad avkastning än indexfonder?” (”Active fund management – do actively managed funds give a better risk-adjusted return than index funds?”), von Bahr, Felix & Lundgren, Mikael, 2009

[17] “On Persistence in Mutual Fund Performance”, Carhart, Mark M., 1997

[18] ”Index Mutual Funds and Exchange-Traded Funds- a comparison of two methods of passive investment”, Kostovetsky, Leonard, 2003

[19] ”Svenska aktiefonder: En kvantitativ studie av sambandet mellan en fonds avgifter och avkastning” (”Swedish equity funds: a quantitative study of the link between fund fees and returns”), Sparreus, Henrik & Nordström, Simon, 2008

[20] ”Prestationsrelaterade fondavgifter” (”Performance-based fund fees”), Nilsson, Magnus & Niclasen, Fredrik, p.57, 2001

[21] ”Aktiv fondförvaltning - Ger aktivt förvaltade fonder en bättre riskjusterad avkastning än indexfonder?” , von Bahr, Felix & Lundgren, Mikael, p.2, 2009

[22] “Mutual Fund Advisory Fees: New Evidence and a Fair Fiduciary Duty Test”, Freeman, John P., Brown, Steward L., & Pomerantz, Steve, *Oklahoma Law Review*, Vol 61:83, pp.85-86, 2008

[23] “A Fresh Look at Director “Independence”: Mutual Fund Fee Litigation and Gartenberg at Twenty-Five”, Johnson, Lyman, *Vanderbilt Law Review*, Vol 61:2:497, pp.499-500 , 2008

found that in order for a private investor to have an advisor's compensation deemed excessively large, the advisor must not be considered independent from the fund. No plaintiff has ever obtained a verdict based on 36(a) - (b). The explanation of this outcome can be found in the definition of "interestedness", whereby it is implicitly declared that an advisor's compensation from the fund can never be too large.

Concerning the effects of information provision to customers, a 2009 study indicated that regardless of the simplicity of the prospectus provided to the investor, the investor was still not affected in their investment choices[24]. They received a statutory prospectus, distributed in its original length and extensiveness, or a summary prospectus, which is a two to four page summary of the statutory prospectus. The idea was to facilitate for the investor's investment choices. The investors did not avoid the funds with the high sales loads (a type of commission), even when their investment horizon was limited to a one-month period. This finding might indicate whether the results of this paper will have any implications for shareholder protection. According to the study, two thirds of the investor did not look through the prospectus before making an investment decision. This suggests that even though funds begin to disclose more information on its fees, the investors still won't consider them, making the legislation change in vain.

Descriptive methodology

Legislative and regulative data

The two legislations studied were The Securities Fund Act ("Lag (1990:1114) om värdepappersfonder)"[25] and the Investment Funds Act ("Lag (2004:46) om investeringsfonder")[26]. The accompanying ordnances (förordningarna)[27], authorizing SFSA to prescribe complementary regulatory codes for certain parts of operations, have been examined and summarized as well. Concerning regulation, the following regulatory codes from the SFSA

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[24] "How Does Simplified Disclosure Affect Individuals' Mutual Fund Choices?", Beshears, John & Choi, Laibson, David & Madrian, Brigitte C., pp.2-3, 2009

[25] SFS 1990:1114 "Lag (1990:1114) om värdepappersfonder" (Securities funds act"), Sveriges rikes lag 1991 Höglund, Olle (ed.) ISBN: 9119080026

[26] SFS 2004:46 "Lag (2004:46) om investeringsfonder" ("Investment funds act"), Sveriges rikes lag 2005 Gregow, Tolker (ed.) ISBN: 9789139010456

[27] http://www.fi.se/Regler/Lagar/Fond/, 2012-05-22, 17:30:00

webpage[28] have been summarized (see SFSA sources): (FFFS 1994:13, FFFS 1996:25, FFFS 1997:11, FFFS 1997:38, FFFS 1998:10, FFFS 1998:22, FFFS 1999:7, FFFS 1999:12, FFFS 2000:20, FFFS 2001:17, FFFS 2001:18, FFFS 2002:20, FFFS 2004:2, FFFS FFFS 2004:12, FFFS 2005:14 and FFFS 2006:3.

Underlying legislative framework

The Swedish legislative system

The Swedish Parliament is the legislating body authorized to write laws effective for Swedish territory and physical as well as legal persons in Sweden. This right is granted by one of the Swedish constitutions, the Instrument of Government.[29] The operations, responsibilities and functions of the parliament are prescribed in the so-called Riksdag Act[30], where it is written that parliament is mandated by the people in democratic elections every four years. It also reaffirms Swedish membership in the European Union (EU), which also makes it a member state in the European Economic Area (EEA). It has the authority to write and enforce laws as well as extend authority to certain public agencies like SFSA, defining within which legal boundaries the agencies can write specific regulation and enforce adherence to them.

The Swedish fund market regulatory system

The Swedish Parliament writes, makes effective and changes legislation. In such acts and in specific ordnances, the parliament also specifies responsibilities and powers of Finansinspektionen ("The Swedish Financial Supervisory Authority (SFSA)", which in turn monitors and writes regulatory codes for fund operations and those who conduct it in Sweden or with Swedish citizens. SFSA can under certain conditions take different measures with legal ramifications, such as the revocation of a fund operations permit without which operations are illegal. SFSA was created 1991 by merging the former banking and insurance supervisory bodies, and led to a single integrated regulator and supervisor covering banking, securities and

[28] http://www.fi.se/Templates/FFFSSearchPage.aspx?id=1328&epslanguage=en&list=true&basic=true&change=true&active=true&undefined, 2012-05-22, 17:30:00

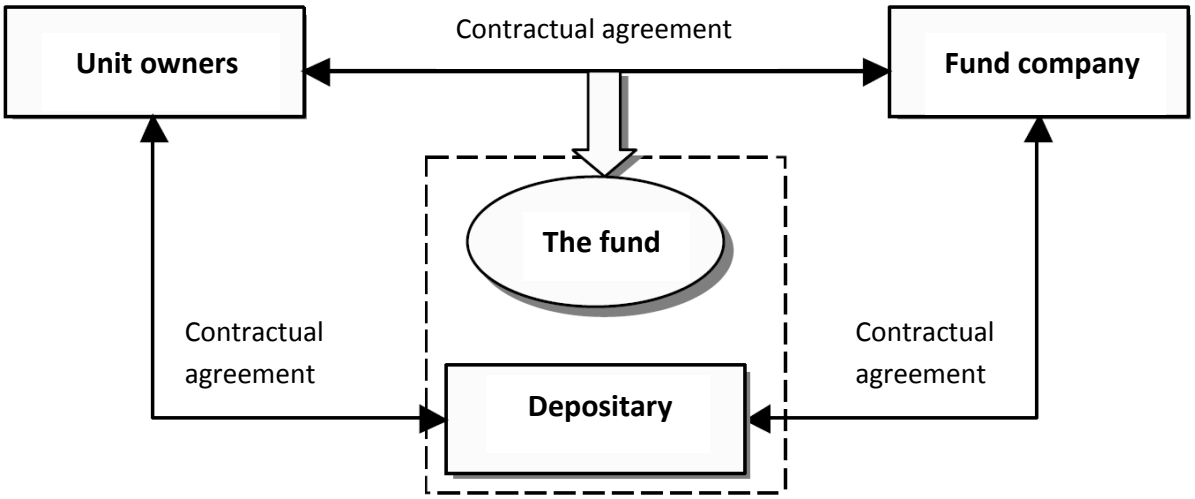
[29] SFS (1974:152) "Kungörelse (1974:152) om beslutad ny regeringsform" ("Declaration of the affirmation of a new form of government") , Sveriges rikes lag 1975 Nordström, Torkel(ed.) ISBN: N/A

[30] Ibid.

insurances[31]. SFSA operates under the Swedish Ministry of Finance, which is a government office[32].

For all types of Swedish investment funds, there is prescribed in law a tripartite construction (see Image 1). The three parties are: the investors or unit owners, which can be private but also institutional; the fund company itself, which manages the fund assets and administer fund unit sales and redemption as well as the depositary, which stores the physical representations of the fund's assets and is obliged to always act independently from the fund and in interest of the unit owners. This construction is formed for the protection of the unit owners through the guarantee of the depositary of the capital invested, which for example protects the shareholder's capital from being subject to debt repossession of the fund[33]. The legal construction of Swedish funds is contractual, rather than associative. This means that the fund company represents the unit owners in all matters concerning the fund. For example, only the fund company can represent the ownership of shares in shareholder meetings etc.

Image 1



"Investeringsfonder förslag till ny lag" SOU 2002:56, 2002, The Swedish Finance Department, Värdepappersfondsutredningen, p. 198

[31] http://www.fi.se/Folder-EN/Startpage/About-FI/Who-we-are/History/, 2012-05-22, 17:30:00

[32] http://www.sweden.gov.se/sb/d/2062, 2012-05-22, 17:30:00

[33] "Hedgefonder och svensk fondlagstiftning", pp.11-12

The Undertakings for Collective Investment in Transferable Securities UCITS

The Undertakings for Collective Investment in Transferable Securities (UCITS) is a category of European Union Directive that concerns the activities of funds and similar collective investment schemes. Initiated in 1985,[34] the members of the EU and the EEA are through it obliged to conform to a standard in order to make trading between member countries easier and to insure the reliability of any UCITS seated in a state that is a member of the EEA. Like most EU directives, the UCITS standards are dispositive, allowing the member states to meet the directives through different means and to write additional laws or regulations that do not contradict the directives[35]. The Swedish Transferable Securities Act (1990:1114) were influenced by the then established guidelines of the OECD and the European Economic Community[36], but they were mainly compatible with the 1985 UCITS directives and were revised to a minor degree when Sweden entered the EU in 1995. The Swedish Investment Funds Act (2004:46) was written to be fully compatible with the third version of the UCITS, consisting of two[37] directives from 2001[38].

Descriptive methodology

Methodology for summarizing SFSA regulatory codes and guidelines

As authorized by law, SFSA prescribes regulatory codes and guidelines (titled FFFS year:XX) for financial sectors, industries and operations in Sweden, resulting in 43 regulatory codes and guidelines concerning fund operations for the 1990-2007 period (see Descriptive summary of SFSA regulation). Not all of the documents could be of interest given the purpose of the thesis research, however, and a selection process was first undertaken based on the content of the documents. First, any regulations concerning fund companies indirectly and not prescribing or prohibiting any fund-related operations were of no interest. Fifteen regulatory codes were thereby removed. Second, all guidelines – except the four which were incorporated into a large regulatory

[34] ”Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)”, European Economic Council, 1985, ISBN: 92-825-8720-7

[35] ”Consolidated versions of the Treaty on European Union and the Treaty on the functioning of the European Union”, 2009, ISBN: 978-92-824-2577-0

[36] http://www.riksdagen.se/sv/Dokument-Lagar/Utskottens-dokument/Betankanden/Vardepappersfonder_GE01NU4/, 2012-05-22, 17:30:00

[37] “Directive 2001/108/EC of the European Parliament and of the Council of 21 January 2002 amending Council Directive 85/611/EEC…”, European Economic Council, 2002, ISBN: N/A

[38] ”Directive 2001/107/EC of the European Parliament and of the Council of 21 January 2002 amending Council Directive 85/611/EEC… “, European Economic Council, 2002, ISBN: N/A

code in 2004, becoming binding - were removed. Guidelines are dispositive and do not have specified effects on operations. Five guidelines were removed at this stage. Lastly, regulatory codes that were issued late and whose changes would not provide statistically significant results; regulatory codes only concerning documentation of customers; changes to regulatory codes only changing semantics or topic order as well as the first regulatory code, issued only for official purposes, were removed. Seven regulatory codes were now removed, leaving sixteen for analysis and summary.

The summary involved reading through the documents and reducing the written contents to their meaning, with the intent of avoiding a redundant word-for-word translation. The regulatory codes are not structured with comparison over time in mind and SFSA already translates some regulatory codes to English. Instead, the purpose has been to retain actual meaning and to categorize contents. The remaining documents all concerned some recurring topics subject to SFSA regulation, enabling a more structured presentation format. Recurring topics such as which prescribed categories were to be part of fund company reports were aligned to the same row, with regulatory codes ordered in columns from earliest to latest.

Criticism of descriptive methodology for regulative documents

The selection process involved a reading through of all regulatory codes and guidelines, with no document being rejected at a glance. A subjective reading is still a fallible method for judging document relevance and possible impact. In some cases, the possible relevance from a unit owner perspective was not evident and personal judgment was used when deciding which documents were to be summarized. To prevent incorrect rejection of documents, it was assumed that every document was of significance unless a reading showed otherwise, and the same minimum criteria were used throughout the selection.

Concerning the translation and summarizing of contents in the selected documents, comparisons between official Swedish and English versions of documents such as EEA directives were used to ensure terminology was used correctly. Since SFSA regulations have legal ramifications and the agency must be accountable and consistent, it has generally been assumed its online regulation database is reliable, even for repealed regulatory codes.

Methodology for summarizing legislation

The Securities Funds Act and the Investment Funds Act were subject to the same type of summarization (see Descriptive summary of legislation), intending to reduce text volume while expressing the same meaning with efficient language. In such cases where only semantics have

differed this has been noted. The laws overlap to a degree, with the 2004 law often replicating the 1990 law in terms of meaning and then adding new topics. Because of this, the laws are presented unlike the regulations, following the 2004 document from the first to the last paragraph and comparing it to the 1990 legislation where possible. The organization of the workbook also follows the chapter order set by the 2004 act. The topic names are chosen to be descriptive and more precise, whereas the categorization used in the original documents grouped several topics under one short and simplified heading. There are two ordnances that accompany each act respectively, authorizing the government or a by the government authorized agency to make complementary regulation. They are named SFS 1990:1123 and SFS 2004:47.

Criticism of descriptive methodology for legislative documents

Inherent to the selection of acts to examine is the risk of overlooking acts and ordnances in which key changes to or introductions of seemingly minor paragraphs could have strong effects that in turn could be noticed in our database. That would make the judicial text examination less purposeful from a unit owner perspective. However, time constraints and the need of focus motivates high selectivity. The two laws and attached ordnances selected are not the only legislative documents that concerned fund operations in the period, but they are exclusively and directly concerned with them. Laws on capital exposure or securities trading have also had effects, but the specific fund acts define fund operations and other important terms and cover topics unique to Swedish funds. This increases the probability of them containing revisions or new statutes that are important from a unit owner perspective.

They are also two related acts that are not too similar or dissimilar, and the latter of the two became effective April 1st 2004, so they are suitable for an investigation of any changes using the available database. In addition, the acts and their ordnances specify SFSA authority to write and enforce regulatory codes for fund companies and their operations, creating a connection with the other set of judicial texts examined.

The methodology can be criticized for not separating the changes acts for the 1990 or 2004 acts from the acts themselves, instead including them in the same columns. For the 1990 legislation, the reasoning is that the changes are minor from a fund customer perspective and that even if they could possibly have noticeable effects our fund data does not cover the 1990-1999 period. As for the changes acts for the 2004 act introduced in the 2004-2007 period, they have been examined and are either semantic in effect or not significant from a fund customer perspective. The last major change in the 2007 period was somewhat comprehensive, but any effect on our

database would have been seen for the last months only, if at all, making the results statistically invalid.

Significant developments in law between 1999 and 2007

The Investment Funds Act (SFS 2004:46) and its appended Ordnance (SFS 2004:75), made effective April 1 2004, concerned many aspects of fund operations, fund companies and their customers. In the course of systematically comparing the two 2004 documents with the 1990 documents, some potentially critical parts became apparent, and are presented in the following section. Not all changes lifted out from the tables are possible as hypothesis subjects, but are representative for the direction of fund law development in Sweden.

The first matter addressed by both acts was definitions of key terms. One definition would, together with another paragraph in the same act, outline to what extent fund companies in Sweden had to act exclusively in the common interest of unit owners, whereas in 1990 legislation this obligation had been effectively unlimited. The definition in question concerned fund operations or 'fondverksamhet', to be understood throughout the 2004:46 act as management of a fund, transactions with the fund's units and connected administrative measures. A part of 2 § chapter 4 then mandated that a fund company is to act exclusively in the common interest of the unit owners in the course of managing an investment fund. In other words, outside of the actual management, the sales and redemption of units and related administration, fund companies were by law free to act without unit owners' common interest in mind.

Regarding non-Swedish actors, any foreign company or fund businesses operating in Sweden were now, like fund companies and depositaries had been since 1990 law, responsible for any harm done to customers as a cause of violations of law or fund rules. The 2004 act also introduced a requirement for a Swedish fund company to purchase insurance that would protect unit owners and fund companies alike in such cases where the harm would exceed fund company capacity to compensate. Contracting of fund operations, which was previously the domain of SFSA regulation, was introduced into law with the condition that no responsibility under law could be moved from the contracting party to the contractor and that the contract itself had to contain clauses for revision of conditions and even immediate contract repeal.

In terms of relevant information, customers were provided with more standardized and detailed information at the expense of information supply. As per the most recent EEA directives, the 2004 act introduced the 'simplified prospectus' or fact sheet. It was prescribed to in a summarized format provide easily understood information allowing the reader to assess fund risk,

authorization for instrument and derivatives types and compare with other funds' fact sheets, which all had to contain at least the same information on risks, fees, placement intentions and such characteristics. However, this was accompanied by changes concerning the sending of information to unit owners. The 1990 act mandated all fund companies to send completed reports and the information brochure to all unit owners, with the owners having the option to waive the free service. After the 2004 act, however, the information only needed to be sent on demand. The customer was to be reminded of the ability to have the reports, the brochure and the new fact sheet delivered home once per year, when annual costs and fees were reported.

Placement rules for funds were revised in 2004. As an example, the cap on a fund's ownership of units in other funds were raised, but to maintain diversification it was added that any funds owned could not in themselves consist of other funds to a high degree, and their fees had to be presented in fact sheets and other documentation. Other provisions increasing flexibility but potentially putting more demand on unit owner attentiveness or knowledge include the allowance of placing fund holdings in credit institute accounts or in derivatives traded directly between parties. Index funds having the purpose of imitating a market's composition could now concentrate on single issuers of bonds or securities if needed to follow the index accurately. While prescriptions for fact sheet and brochure information were adapted to the new placement limitations and fund management options, an average unit owner needed to use more discretion to select a suitable fund type and specific fund.

The possibility to supervise fund operations and discourage violations increased with the 2004 act. SFSA was authorized to set the fees covering supervision and auditing costs and could now collect them from some foreign parties operating in Sweden. Close ties, specified as a 20 % ownership or a mother company to daughter company relationship, entailed verification of the closely tied parties. All persons with 'close ties' to a non-EEA or a non-UCITS applicant wishing to do business with Swedish customers now had to be approved together with the applicant itself. SFSA was even authorized to pressure any person with close ties to a fund company to dispose of shares until it considered the influence sufficiently reduced, and had to consult with foreign EEA supervision agencies in cases where applicants had close ties across borders. Revocation of a fund operations permit could be made under additional circumstances, e.g. the inclusion of an ineligible person in company leadership, and SFSA was authorized to make injunctions with financial repercussions. SFSA was also authorized to prescribe regulatory codes defining sound operations, additional information included in fact sheets and reports as well as risk handling and monitoring systems for management activities.

Significant developments in regulation between 1999 and 2007

The changes to regulation have not been centred as heavily on one date and are as mentioned spread across sixteen documents.

Annual and half-yearly reports were prescribed in the SFS 1990:1114 act, with SFSA authority to prescribe content details and structure. The first regulatory codes concerning the reports were the FFFS 1997:11 regulatory codes, which became effective before 1999 and cannot provide a basis for database analysis. It should be noted that the codes prescribed disclosure of, *inter alia*, compensation to fund company and depositary and a historical comparison across three years regarding total fund value and unit value on the end of the year. A so-called management report was also to be included with the annual report, but with no instruction for contents. The next regulatory codes concerning the reports, the FFFS 2002:20, did however detail the management report extensively. Changes to important factors like exchange rates or comparative indices used, as well as organizational or personnel developments, had to be described. Consistent key indicators for value development, risks and turnover were added, as was a disclosure of all management costs for a set figure. Customers were also to be provided a simplified fund development covering flows in and out of the fund. In addition, the historic comparison was now to span five years rather than three, and include information on returns per unit and the yearly returns of a relevant index.

The information brochure was also outlined in regulation for the first time in the 1997:11 codes, but underwent its first change in the FFFS 2004:2 codes, effective April 1 2004. The brochure was amended to include the nearest annual and half-yearly reports, previously held separate, and now had to notify a reader of the existence of any trade limitations, a list of any contractors and a list of any important bond issuers. Rather than prescribing contents for the actual brochure, however, SFSA instead mainly added more content to the fund rules, which in turn had to be contained in the brochure as per previous codes. The fund rules were also detailed for the first time in FFFS 1997:11 and changed by FFFS 2004:2. The main new prescriptions were a specification of instrument categories and derivatives the fund rules should refer to when describing fund focus, the yearly costs were now to include the fees charged by SFSA and any performance-based fees as well as their basis now had to be described. The fund rule prescriptions were changed again by the FFFS 2005:14 codes, but only regarding the customer awareness of unit sale and redemption rates. These codes became effective on January 1 2006, now prescribing that the rules were to inform the reader that the rates would be unknown at the

time of sale or redemption order. This was a result of the increasing speed of financial markets, which meant that actual unit values could only be affirmed at set breaking points every day.

The FFFS 2004:2 codes contained SFSA prescriptions for the new fact sheet, as authorized by law. It had similarities with the old information brochures, but also some metrics for fund comparison. Historic returns - after deduction for taxes and fees - were to be presented in a bar chart, spanning the last ten years. Any comparative index used was to be presented in the same manner, but not necessarily in the same chart. Average returns for one three-year and one five-year period had to be calculated as well. As per directives from the European Commission, SFSA introduced TER as an obligatory format for annual fee disclosure in the fact sheet, while the turnover rate of the fund had to be disclosed to indicate the costs of transactions for the fund. Changes were made by the FFFS 2005:14 codes, effective January 1 2006. The risk information now had to specify how risk types like currency or credit risks affected the fund, and the average annual returns were to be calculated and compared with any relevant index for at least a three, five and ten year period respectively.

Derivatives regulation was also introduced by FFFS 1997:11 and subsequently changed by FFFS 2004:2. The 1997 codes for derivatives mainly served to reiterate the SFS (1990:1114) act, prohibiting non-financial derivatives, purchasing of derivatives out of liquidity or any loaning out of securities in excess of 50 % of fund holdings. Said limit was lowered to 20 % in the 2004 codes, but the maximum allowed activity in derivatives was removed. In addition, all derivative positions had to be calculated into exposures by set rules and a company had to disclose to SFSA how OTC (over-the-counter) derivatives exposure was calculated.

Hypotheses

Comparing the historical account of law and regulation development with the database on fund characteristics, we find there are two suitable hypotheses based on law or regulation changes that can be tested.

Hypothesis 1: The total level of disclosure of the Total Expense Ratio (TER) by Swedish funds to unit owners, as measured in our selected population of funds, has increased measurably following April 1 2004, the date on which TER was introduced into the new fact sheets per the FFFS 2004:2 regulatory codes.

Hypothesis 2: As a result of fund companies being authorized to set fees without regard for the interests of unit owners, the management-related returns to unit owners, measured as the alpha

of a regression of fund returns in excess of the risk-free rate on relevant factors, have fallen after April 1 2004, coinciding with an increase in TER following the same date.

Fund data

A compilation of Swedish funds fact sheets between 1999 and 2007 is used, where data has been extracted from the fact sheets and contains fund characteristics such as fixed and result based management fees, which fund family ("huvudbolag") the fund belongs to, within which asset class it classifies under, the total expense ratio (TER), and totalkostnadsandel ("total cost share") (TKA), which is a key metric only used in Sweden. TER expresses all the expenses of a fund (management fees, administrative costs, interest costs, taxes, courtage, other transaction costs), less the courtage and the paid coupon tax, as a percentage of the fund's total capital, while TKA expresses the same but with courtage and taxes included. TER and TKA thus give a more accurate value of the costs imposed on a customer than the management fee alone, although TKA is always higher due to courtage especially in those funds where transactions occur more frequently. The data also tells if the fund is under the Swedish Premium Pension System (*PPM*) or not.

These data sets are proprietary and were provided by Paolo Sodini, associate professor at the Finance Institute of Stockholm School of Economics.

Underlying financial theory

To facilitate understanding of the reason unit owners pay fees in order to invest in actively managed funds, an introduction to the capital asset pricing model (CAPM) is provided. The CAPM was developed during the 1960s and is often credited to Jack Treynor [39]or William Sharpe[40]. Also, some basic information on fund management is given. Then, in order to justify the inclusion of additional factors in the regressions on fund returns, a description of the reassessment of the CAPM made by Fama and French as well as Carhart is included.

[39] "Toward a Theory of Market Value of Risky Assets'", French, Craig W. & Treynor, Jack, 2002

[40] "Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk", Sharpe, William, *The Journal of Finance* , Vol. 19, No. 3 (Sep., 1964), pp. 425-442

CAPM

As the name suggests, the CAPM (see Image 2) is used to calculate the required return of an asset, e.g. a security. Since it possible for an investor to diversify risk, for example by obtaining shares in varied companies, compensation is expected for risk that cannot be diversified away. This non-diversifiable risk is the security's sensitivity to the development of the entire stock market. It is also possible for an investor to invest in virtually risk-free assets, so the security returns are calculated as an excess above the returns from investing in risk-free securities. As an equation, this reads

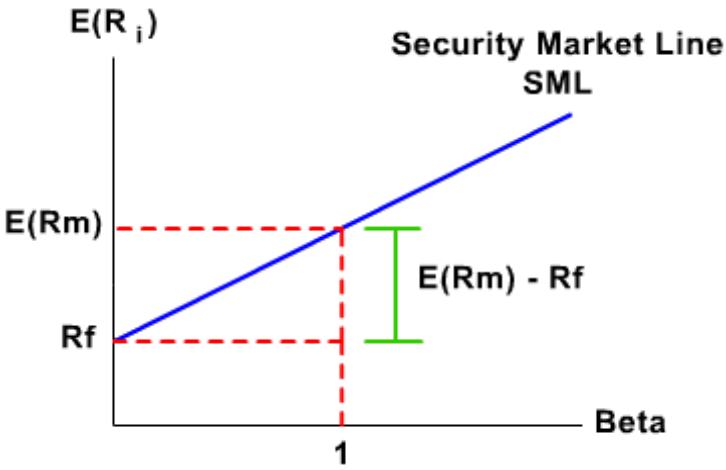
$$E(R_i) = R_f + \beta_i(E(R_M) - R_f),$$

where $E(R_i)$ is the expected return of the asset, R_f is the return from investing in a risk-free security, $(E(R_M) - R_f)$ is the market premium (the excess return of the entire stock market above the risk-free rate) and β_i or the asset Beta represents

$$\frac{Cov(R_i,\ R_M)}{Var\ (R_M)},$$

making it a measure of the sensitivity of the returns of the asset to the returns of the entire stock market.

Image 2



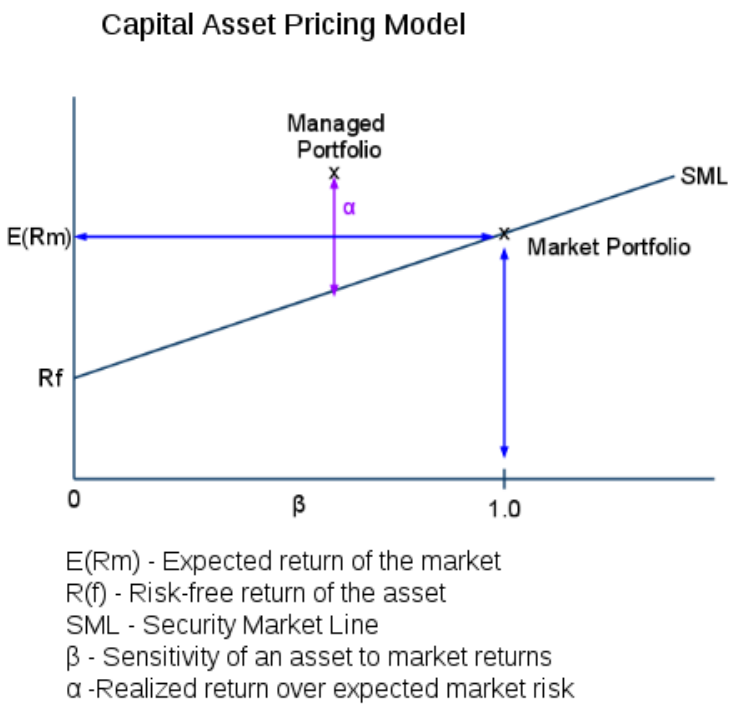
http://www.sy-econ.org/finance/finance-invest-CAPM.html

Fund activities

The concept of an equity fund entails that the fund wealth is invested in different companies, so every fund unit is already diversified. An individual buys a unit in the fund, the payment per unit

is then invested by the fund company and the unit can be redeemed for a set portion of fund wealth at a later date. Equity funds are intended to be actively managed. The fund company's managers change the assets the fund invests in, with the intent of outperforming the stock market (see Image 3). The yearly management fee charged as a percentage of fund holdings is to cover manager salaries and other activities necessary for such operations. If the fee taken is larger than the increase in fund value as a cause of fund management, the unit owner is worse off for having invested in the fund. If the fee is smaller, the unit owner is better off.

Image 3



The α arrow represents performance above that expected based on a CAPM calculation. However, the management fee is to be subtracted from the returns to the unit owner.

http://www.bogleheads.org/wiki/CAPM_-_Capital_Asset_Pricing_Model

It is also necessary to explain the concepts of TNA, NAV and TER. TNA stands for Total Net Assets, which in a fund context is the value – based on closing market prices of the day- of all its held assets less any liabilities, including the fees charged. NAV is Net Asset Value, which is then the NAV of a fund divided across all fund units. Our database contains monthly observations for each fund, which have been annualized in Excel. TER is the Total Expense Ratio, which is the total of fund costs divided by total fund assets. By fund costs are meant the costs caused directly by the management of the fund, including management fees.

The second hypothesis concerns a phenomenon that is more open to subjectivity, namely the appropriateness of the management fees taken yearly from funds. An increase in fees not coupled

with increased returns caused by good management performance is inappropriate from the perspective of a unit owner. Fee increases following April 1 2004 that do not correspond to increases in fund value from improving fund management could indicate that fund companies have noted and made use of the opportunity to set fees without considering the ”common interest of unit owners”. In order to fairly assess if fees have increased in a manner not compatible with unit owner interests after April 1 2004, database management and regression operations are needed. The question remaining is how to measure a fund’s performance compared to the market, separating the active fund performance that fees are intended to compensate for from the index fluctuations managers have no control over. A recent study by Fama and French offers a suggestion for statistical methodology.

The CAPM adjustments by Fama, French and Carhart

In the course of their current work evaluating the relevance of fund manager’s skills for the returns of US mutual funds, Fama and French have employed a four-factor model containing a stock exchange benchmark[41], two additional factors discovered by the two authors in an earlier study and Carhart’s so-called momentum factor.

$$R_{it} - R_{ft} = \alpha_i + b\left(R_{Mt} - R_{ft}\right) + s_i(SMB_t) + h_i(HML_t) + m_i(MOM_t) + e_{it} \qquad (1)$$

The above regression has fund performance of fund *i* above that of the risk-free rate for period *t* regressed on four factors, the first being the returns of market *M* above that of the risk-free rate. Using only this factor the regression measures how well fund returns are explained by changes in the entire market portfolio.

The three additional factors explaining fund performance are the size (SMB), value-growth (HML) and momentum (MOM) factors. The first two are outlined in detail in a 1992 study by Fama and French[42]. Using historical market data spanning almost three decades, Fama and French found that the size and book-to-market factors explained stock return variation not explained using only the CAPM model. In the same sense, Carhart found in a 1997 study[43] that

[41] “Luck Versus Skill in the Cross Section of Mutual Fund Returns”, Fama,Eugene F. and French, Kenneth R., *Journal of Finance*, 2009 (forthcoming)

[42] "The Cross-Section of Expected Stock Returns", Fama, Eugene F. & French, Kenneth R, *Journal of Finance*, Vol. 47, Number 2. June 1992

[43] “On Persistence in Mutual Fund Performance”, Carhart, Mark M., *Journal of Finance*, Vol. 52 No. 1, March 1997

momentum in returns could explain return variations not captured by the CAPM and the Fama-French factors used together. In order to obtain results that account for all factors established in literature as explanatory for returns, this thesis will use one regression including and one excluding the Fama-French and Carhart factors. This allows for a comparison rather than assuming the relevance of the factors for the returns of the fund population.

When fund returns in excess of a suitable risk-free rate are regressed on the chosen factors, the remaining *a* is the predicted increase in fund value if all other factors are kept constant, i.e. the stock market is static in value and all other potential factors included are set to have no effect. The *a* then serves as an indication of the management performance's role in total fund value increase. In order to apply the Fama-French approach to the performance and fees of the fund companies, however, the correct funds and benchmarks have to be selected for this thesis. This is reviewed in the next section.

Analytical methodology

This study resembles the approach from the 1993 Fama-French study, as it has the purpose of measuring the effects of fund management. However, the population of funds examined in this thesis is different and suitable regression factors must be selected. Furthermore, in addition to the selection criteria for the first hypothesis (see Methodology for testing hypothesis 1), the funds examined must provide information on both NAV, TER and management fees both before and after the law entering into effect for the second hypothesis to be testable. The population is selected to include equity funds only. Equity funds are the most common fund type in Sweden according to government[44] and industry statistics[45], they are also the type of fund the returns of which are most suitable to compare to stock exchange indices or factors based on stock exchange observations. "Fund-in-funds" (which make placements in the units of other funds) or interest funds would require regressions on factors not available in the database. While this limits the scope of the second hypothesis, it is necessary to preserve the match between the funds and their benchmark and therefore result validity.

The law is limited in application to funds owned by Swedish fund companies, but the funds are varied in terms of investment focuses, e.g. by region or industry. Therefore, only funds that are

[44] http://www.scb.se/Pages/Product____6533.aspx?Produktkod=FM0403&displaypublications=true, 2012-05-21, 2012-05-22, 17:30:00

[45] http://www.fondbolagen.se/sv/Statistik--index/Fakta-om-fondmarknaden-i-Sverige/, 2012-05-21, 17:30:00

affected by Swedish law are included in the regression. The fund population is more heterogeneous than the one studied by Fama and French and the returns of the chosen funds could be influenced by local or global factors. As the funds managed by Swedish fund companies can be assumed to have had a noticeable focus on Swedish securities in the period, one Swedish and one global index were selected to be used for regression.

The first index used was the SIXPRX, an index maintained by SIX Financial Information, intended to reflect the development of companies listed in the Stockholm stock exchange. This index includes effects of dividends, by assuming they are reinvested, and also accounts for weighting limitations under UCITS, making it a good benchmark for the funds examined. The other index used was the MSCI World Gross Index, maintained by Morgan Stanley Capital International and comprising stocks from 24 developed countries. It also assumes reinvested dividends, but does not reflect UCITS limitations as they are specific to Europe. While this index is not as global as the name suggests, leaving out developing markets, MSCI indices spanning additional countries have not been maintained for the entire 1999-2007 period, unlike the MSCI World. The benchmark-only regression reads:

$$R_{it} - R_{ft} = \alpha_i + b1(world_sek_t - R_{ft}) + b2(sweden_sek_t - R_{ft}) \qquad (2)$$

The funds in the population invest in Swedish and international equity, and Sweden's economy and GDP is historically highly correlated with the global economic development due to its export dependability[46]. As a result, both the Swedish and the global indices are regressed upon.

Likewise, it is useful to have a comparison between the explanatory values of the indices and the explanatory values of the Fama-French and Carhart factors. As such, two regressions on the yearly changes to fund values are made. One simplified regression using the SIXPRX and MSCI World, and a second regression using the two indices as well as the Fama-French and Carhart effects observed in Sweden as well as their global equivalents. The second regression thus comprises a total of eight factors.

$$R_{it} - R_{ft} = \alpha_i + b1(world_sek_t - R_{ft}) + b2(sweden_sek_t - R_{ft}) + s_i(sml_sek_t) + h_i(hml_sek_t) + m_i(mom_sek_t) + s_i(sml_glb_t) + h_i(hml_glb_t) + m_i(mom_glb_t) + e_{it} \qquad (3)$$

[46] http://www.scb.se/Pages/TableAndChart____219327.aspx, 2012-05-21, 17:30:00

Methodology for testing hypothesis 1

The fund characteristics data mentioned in the Fund data section was processed in the statistical analysis program STATA (see the Data section). Investigation of the observable changes over time made by the fund companies were made as follows. The data set was cleaned of irrelevant observations: observations of year 1998, which were only 432, were removed and of year 2008, which were only 5, were excluded due to incompleteness of data that would lead to biases in our results. Furthermore, funds that do not operate directly under Swedish law were also excluded since they wouldn't be affected as hypothesized. However, since it is not indicated whether or not a fund was of foreign origins, the following was executed to correctly select the relevant funds: fund families that had no or almost no funds that disclosed the relevant metrics were excluded, since it was then assumed that they were foreign-based fund companies that did not operate under Swedish law – otherwise the law would have sooner or later enforced disclosure. This was done manually since they had no variable commonalities by which they could be collectively excluded. The fund families excluded were ABN Amro (of which 69 out of 77 funds did not disclose any relevant information), ACM (40 out 45 observations did not disclose any relevant information), Alterum (33 out of 41, and the ones that disclosed information were named Quality Growth funds, which had both TER and TKA), Bid & Ask, CB Asset Management (15 out of 19, where only one fund was disclosing in all of the four years), CDC IXIS Asset Manegement, Discovery (which had only 1 observation), F&C, Fidelity (339 out of 245), Frank Russell, Franklin Templeton, GAM, Gartmore, Goldman Sachs, HSBC, Independent Investment Group, Julis Baer, Lion Fortune, MFS, Martin Currie, New Star, Nielsen, Parvest, Principal Global Investors, Prosperity Capital Management, SPP, Santander, Schroder, Sector Management (which has two funds, one of which does not disclose any information, while the other is a hedge fund), Shepherd, T-Rowe (which is US-based and only has 1 observation), Thames River and Zürcher Kantonalbank. Atlant Fonder, Brummer & Partners, FMG and Markedskraft Fonder are also excluded since they are hedge funds, which follow other rules of information disclosure (see the Thesis limitations section). Other hedge funds, which had the designation "HEDGE" under the variable class were removed collectively as well . The fund family Avanza Zero is dropped since they are a non-fee fund. This left us with 12113 different funds to be analysed.

Dummy variables were then generated that took the value 1 if a fund company disclosed information on its management fees, TER and TKA, respectively. Statistics were generated to see the number of disclosures of each of the above metrics, for each year. This way, the change over

time could be investigated. Another dummy variable taking the value 1 if a fund company did not disclose management fees, TER or TKA was generated for each year. All of the statistics were exported to an Excel spread sheet, where the data was fitted into linear diagrams to illustrate the changes over time.

Simply reporting the number of funds disclosing a figure (see Graph 1) does not provide an accurate measure of changes over time due to the potential entries or exits of a great number of funds each year. By instead providing the amount of fund disclosures as a percentage of each year's total number of funds (see Graph 2), the relative change is presented more clearly.

Methodology for testing hypothesis 2

The same selection process of funds was used as in the analysis for hypothesis 1 with the addition that only funds designated "EQUITY" were used (see the Analytical methodology section) (the others were dropped, leaving a time and panel data of 12113 funds with different metrics that totalled to 39624 observations). The two – robust – regressions proceeded as follows:

The fund return file was merged with the T-bills and Fama-French factor file. This newly created file was in turn merged with the fund characteristics file. This resulted in a data file where information on fund disclosure of information, individual fund returns over time, SIXPRX and MSCI monthly indices, the Swedish and global Fama-French factors SMB, HML, and MOM, could be found. The returns were subtracted by the corresponding Swedish risk-free rate of the same time to get the excess return over the risk-free rate.

The first regression was made by regressing fund returns over the benchmarks SIXPRX and MSCI. The second regression was done in the same fashion while including both Swedish and global Fama-French factors. Regressions were made on a yearly basis to provide comparison over time and with fee data for the same year.

The means of the TER and the management fees were calculated for each year (n=28284 for TER and n=37128 for management fee due to mixed levels of disclosure). Table statistics were then provided for these (see Table 1) and accompanying graphs were created (see Graphs 2 and 3.

The two regression lines and the two means were exported to an Excel spread sheet file where a graph was created (see Graph 3, Tables 2 and 3).

Criticism of statistical analysis methodology

With regards to the cleaning process in analysing the first hypothesis, it should be noted that the process might not be completely accurate in excluding funds that are deemed irrelevant to the study. There exists a risk that funds that do operate under Swedish laws have been excluded and that funds under laws of foreign countries are included, which makes for a possibility of errors in the analysis. Due to the limited timeframe of the study, a manual assessment of every individual fund family and its funds was not possible. Moreover, while excluding hedge funds from the analysis, the fund families recognizable by their names as being hedge funds were removed manually while the other ones were removed collectively. However, since the class characteristic is not provided in all funds, there may be hedge funds that are included in the analysis despite the cleaning.

Since the same selection process and additional criteria were used in hypothesis 2, the second analysis is also subject to the same selection bias. Furthermore, when calculating the means for the management fees and – especially – TERs, it should be noted that not all observations disclosed these metrics (37128 out of 39624 displayed their management fee and 28284 out of 39624 displayed their TER). This could have skewed the averages to some degree. To provide more accurate means, all management fees and TERs should have been included.

Results and analyses

Results hypothesis 1

The results (see Table 1 and Graphs 1 & 2) show the level of TER disclosure among the selected funds in the period. From a hypothesis standpoint Graph 2 is more important to consider, and some of its features are noteworthy even though they have no bearing on the first hypothesis. Firstly, the increase in TER disclosure between 2004 and 2005 is minor, while the increase after 2005 is rapid and steady. Secondly, disclosure increases throughout the period, albeit at different rates depending on year. Thirdly, there is a clear increase in disclosure – also visible in Graph 1 – between the years 2001 and 2002.

Analysis hypothesis 1

The numbers of funds disclosing different metrics like TER is tallied at the end of each year, and the regulatory code prescribing disclosure of TER via the new fact sheets was as mentioned made effective on April 1 2004. This means that by the time of the 2004 tally, the selected population of funds had had eight months to adapt to new regulation and distribute correct fact sheets. However, it is only by the 2005 reading and onwards the hypothesized disclosure increase takes

place. This could be explained by companies not having prepared one year in advance to summarize costs accurately, meaning that the first editions of the fact sheets, completed in 2004, could not disclose a meaningful TER. If a one-year lag is considered explicable, the first hypothesis is upheld, as the TER metric is provided for more funds at a strong and steady pace, from circa 60 % to almost 100 % disclosure to customers over two years.

Throughout the period, every year has seen increased TER disclosure compared to the previous year. The rate of increase is noticeably irregular, allowing for the possibility that certain events or developments in the period caused the studied fund companies to increase disclosure in the TER format. Interestingly, the summary of law and regulation for Swedish funds includes no mention of TER before the introduced changes in 2004. It is possible that Swedish fund companies were influenced by industry or government discussions of describing costs in a more effective manner, and reacted preemptively. It is also possible that agencies for consumer interests or financial market supervision warned of increasing unit owner mistrust of the fund market even before 2004, motivating some fund companies to act.

The results suggest that something important occurred between the 2001 and 2002 accounts. By the end of 2002 almost half the population of funds disclosed TER, compared to circa 20 % the previous year. This phenomenon cannot be sourced to any Swedish legislation or regulation, but it is possible that European Union directives, while not binding, could have influenced fund companies in Sweden to move towards the TER norm in expectation of Swedish legislators complying with the directives. There are in fact two directives introduced in the period that held for Swedish fund companies, referred to as the UCITS III directives, but there is no mention of a TER standard in either of the documents, meaning that the increased use of the TER measure is not explained by any government document or recommendation.

Results hypothesis 2

The regression alphas, written as "_cons" in STATA output, are statistical indications of what the percent change of fund value from the previous year would be if the only factor influencing fund development was manager activity. In other words, they represent unit owner benefits from fund management after the yearly deduction of management fees and other costs, the net benefit from voluntary investment in funds. The alphas as well as the average management fees and TERs of the selected fund population are graphed in Graph 3, while the STATA output is in Tables 2 and 3. The alphas remaining are different for the two regressions, with the second regression, using Swedish and global Fama-French and Carhart factors in addition to the stock market

benchmarks, giving larger alphas each year. The factors give additional explanatory power for returns, and a larger portion of returns can be attributable to unseen factors.

In terms of significance, the alphas suggest that after regressing fund returns on benchmarks only, the remaining part of fund returns attributable to other factors is very small. When applying regression (1) to returns, the remaining alphas are statistically insignificant for five out of nine years (see Table 2 and Graph 3), with only 2003-2005 and 2007 showing alphas that are significant, albeit small in absolute terms. When adding Fama-French and Carhart factors to explain returns and using regression (2), the alphas are somewhat stronger (see Table 3 and Graph 3), with seven years out of nine showing alphas that are statistically less than 10 % likely to be zero. The maximum alpha, from 2003, is however still clearly below the reported average management fees and TERs for that year.

Analysis hypothesis 2

The results of this thesis' regressions match the results of other studies on fund returns, including the recent Fama and French study. No matter how much active fund management and other unseen factors improve fund returns in excess of market returns, this benefit to unit owners is less than the costs charged. The regression alphas are throughout the period lower than the average management fees and TERs, meaning that equity fund investors have lost money from investing in the fund, at least in the 1999-2007 period. This similarity with other studies suggests that the lack of matching fund investment focuses with appropriate benchmarks has not led to abnormal results with regards to fund alphas. Likewise, average management fees as measured in the database have remained within a narrow span in the 1999-2007 period, and as mentioned a recent compilation of fund fee statistics shows that Swedish equity fund fees have varied little in the 2005-2012 period[47]. This suggests the selected funds used are not unrepresentative for the true population of Swedish equity funds.

The results preceding the law change in 2004 show that alphas and fees charged have not been static, but a comparison between the results and the developments in SFSA regulations in the 1999-2004 period does not give any plausible explanation. It is also notable that the relationship between unit owner benefits after deduction of fees is not directly dependent on the observed fee

[47] http://www.amf.se/Documents/PDF/Rapporter/Avgifter_fondmarknaden_2011.pdf, "Avgifterna på fondmarknaden" ("Fund market fees"), p.12, 2011

or TER levels. Between 1999 and 2000 the funds' TERs increased greatly but the alphas also increased. The alphas then increased between 2002 and 2003 while TER decreased by a negligible degree. This gives the impression that causal relationships between the different variables cannot be observed before the law change is made effective.

The first yearly reading to have been affected by the law change is the year of 2005, which does indeed show a noticeable decrease of alpha from 2004 when the benchmarks, the Fama-French and the Carhart factors are all used as explanatory variables. Also observable is a small increase in average management fees charged by the selected fund population. These results are consistent with the second hypothesis. In opposition to these factoids, however, is the decrease in average TER between 2004 and 2005 and the fact that the observed alphas had been decreasing between 2003 and 2004, one year before the law change was made effective. Also contrary to the second hypothesis is that the benchmark-only regression gives a slight increase in alpha. The regressions for 2006 provide alphas that are improvements from the previous year. The average management fees and TER have decreased as well. Lastly, the year 2007 sees management fees and TER increasing. However, only the second regression shows any decrease in alphas.

If the law change had had the hypothesized effect on fund company behavior, the management fee levels, TER levels and the regression alphas would have had less ambiguous trajectories following the law being made effective in 2004. Specifically, alphas would have decreased and average TER would have increased more steadily if the hypothesis had been true. What is observed is a first post-change year with results that are not completely supportive, followed by one year with results directly opposing what was predicted and a last year providing results more in line with the predictions of the hypothesis. The readings do not indicate that fund companies consistently began increasing fees charged to a degree that reduced unit owner benefits from fund investment. Throughout the period, the relationships between management fees and TER as well as between TER and alphas have been weak.

Suggestions for further research

The resources used in this thesis, namely the legislative documents selected and the database used, only allowed for some possible hypotheses regarding the impact of laws and regulations on the Swedish fund market. A hypothesis needed to be based on explicit and unambiguous changes in SFSA or parliamentary texts that had binding effects on fund companies or fund operations. In addition, in order to test whether the law or regulation changes had caused the hypothesized reaction, the range of possible tests was limited as the database used focused on certain variables

and the 1999-2007 time-frame. Expanding the range of legal documents summarized or the financial data used for testing could allow for new hypotheses and a more complete assessment of how parliamentary and SFSA actions affect the fund market and private investors. A possible areas of investigation is the large increase in TER disclosure between 2001 and 2002.

A database covering different characteristics of funds over a different period of time could make it worthwhile to return to some of the SFSA regulatory codes not selected for examining in this thesis, or possibly some acts introduced by parliament that affected the fund market indirectly. For example, information regarding reported customer satisfaction or the number of complaints filed with Allmänna Reklamationsnämnden ("The National Board for Costumer Disputes") could then be compared with changes to law or regulation concerning fund company responsibilities towards unit owners.

This thesis uses a more detailed descriptive summary of a limited set of laws and regulations with a database that only considers funds invested in by Swedish investors. One possible objective of a future study could be a combination of concepts – applying this thesis' selection of laws and regulation for a more detailed summary and a correspondingly detailed database, while also using Granlund's idea of comparison between countries[48]. While this framework is challenging, since it requires the assumption that the legal and regulative settings in the two countries selected are comparative and also entails time-consuming work, it could result in further insights into the importance of financial legislation.

The statistical testing done in the course of the thesis was applied only to equity funds and the regressions included both Swedish and global factors to explain fund returns. While it is appropriate to test equity fund returns against factors derived from stock markets, it is possible that better matching of fund regional focus with regression factors could have produced more accurate alphas. For example, regressing the returns of a one-country fund on economic factors exclusive to said country would provide a better indication of fund manager skills. Finally, using suitable data for interest rates or monetary market developments could allow for regressions on the returns of non-equity funds, and a more comprehensive investigation into which types of funds perform the best compared to relevant benchmarks and the fees charged.

[48] "Regulatory Choices in Global Financial Markets: Restoring the Role of Aggregate Utility in the Shaping of Market Supervision", Granlund, Peik, 2008

Implications

Reflections on the law and regulation developments

Over time, more investment options for voluntary fund investment have been made legal, and correspondingly more active gathering of data and financial awareness is required to assess a fund's risk and strategy in any greater detail. Information provided investors has become more standardized and extensive over time, with the introduction of a management report and increased requirements for historical comparisons, but after the 2004 act became effective the printed documents summarizing the information no longer had to be sent by default. The quarterly reports introduced by SFSA did provide investors with regular information on exposures, but the information requires internet access, not to mention awareness that the data is provided by SFSA.

Over time, the legislation and regulation of fund operations in Sweden has become more permissible for fund operators in and outside of Sweden. Legislators and SFSA appear to have correspondingly increased protection of investors from information asymmetry and overly risky fund placements. The new placement statutes introduced in the 2004 act allowed for more types of investments, but limitations still mandated diversification of risk and SFSA regulatory codes. The need for a more extensive set of limitations with more contingencies and conditions could however make the placement conditions more difficult to understand from an average investor's perspective.

Sweden's move towards integration into the European Union and related spheres such as the European Economic Area is evident in law and SFSA codes. The fact sheet or simplified prospectus is a feature specified mostly by European directives rather than Swedish legislators, and the requirement of TER disclosure as well as the placement limitations of the 2004:46 act has also been specified so as to be harmonized across member states. This means that Swedish conductors of fund operations meet greater competition and that Swedish investors have more options if they consider Swedish fund managers to be underperforming.

In terms of customer protection and fund company accountability, important developments followed the starting point of 1990. The matter of company concern for the common interest of unit owners has been discussed, but the mandated insurance for legal damages and the legal liability being extended to certain foreign actors also deserves mention. SFSA ability to enforce law and regulations as well as the scope of its activities became extended, with gathering of statistics and increased co-operation with foreign supervisory agencies becoming more common.

Likewise, previously dispositive guidelines concerning matters like complaints handling became non-dispositive, increasing SFSA power over fund companies and reducing the potential for conflicts of interests between investors and companies. The fact that fund companies no longer have to set fees with the interests of unit owners in mind remains a potential problem, but so far equity funds' fees appear to be stable.

Reflections on the statistical results

As even small changes in the yearly costs burdening a fund investment have large effects on total accumulated wealth over long periods of time, the ability to compare funds using a standardized value is important to customers. More funds using the TER format allows investors to select funds with high positive differences between fund returns and fund costs, and reduces uncertainty and confusion for layman investors. The results show that while the Swedish fund companies studied have not responded as expected to regulation or legislation, they have adopted the TER format voluntarily and equity funds cannot be said to have not taken the opportunity to legally set fees without concern for unit owner interests. While this was not hypothesized, the results should be encouraging for private investors.

However, when considering results from outside of the hypothesis perspective, the alphas for Swedish equity funds do not exceed or even match costs even when yearly manager performance is high. The investors have not necessarily lost money, but they are overcharged for the active management. Index funds have lower average fees[49] and the results imply that the loss of fund alpha potential is minor in comparison. The increasing disclosure of TER, however, means that private investors can easily observe when they are overcharged and can act on it. The descriptive review of regulation and law shows that mandated information on costs and historical returns has become more extensive, and while compliance has not been perfect according to results, the direction is positive from a customer protection perspective.

Generally, this would imply a better situation for the consumer, if she chooses to take advantage of legislated information provisions while evaluating alternatives. The previously mentioned study on consumer's reaction to information disclosure[50] has however shown that that is not always the case.

[49] "Avgifterna på fondmarknaden", p.12, 2011

[50] "How Does Simplified Disclosure Affect Individuals' Mutual Fund Choices?" Beshears, John & Choi, Laibson, David & Madrian, Brigitte C., 2009

Conclusion

Considering first the development of Swedish law and regulation for the fund market and its actors, the main impression is that legislators and SFSA are aware of the need for reliable and useful information flow from the fund companies to different stakeholders, including customers and SFSA itself. New measurements of costs, fees and risk have been mandated, and relaxed limitations on fund company operations have been followed by increased monitoring and prescribed information to customers. Statistical testing involving the database give positive signals to investors, as information disclosure has increased and the standardized TER format has been adapted without the demand of regulation or law. Possibly concerning is the fact that almost a fifth of all funds had not adopted the TER measurement by 2007, raising questions on SFSA enforcement of its regulation.

The legislative change concerning fund company obligation to serve the interests of unit owners did not lead to the presumed loss of investor benefits or higher fees, but it seems that the performance of Swedish equity funds cannot justify charged fees. This is in line with the findings of other studies, and suggests that despite the efforts to prescribe improved information to households, it appears few are reacting to the unjustified fee levels. The results of this study suggests that legislators and SFSA have adequately supported private investors with pressure on fund companies, and that fund companies have not taken opportunities to set higher fees for their equity funds. It does seem that equity funds underperform in comparison with their fee levels. Time will tell if households will expect more of their fund managers in the future.

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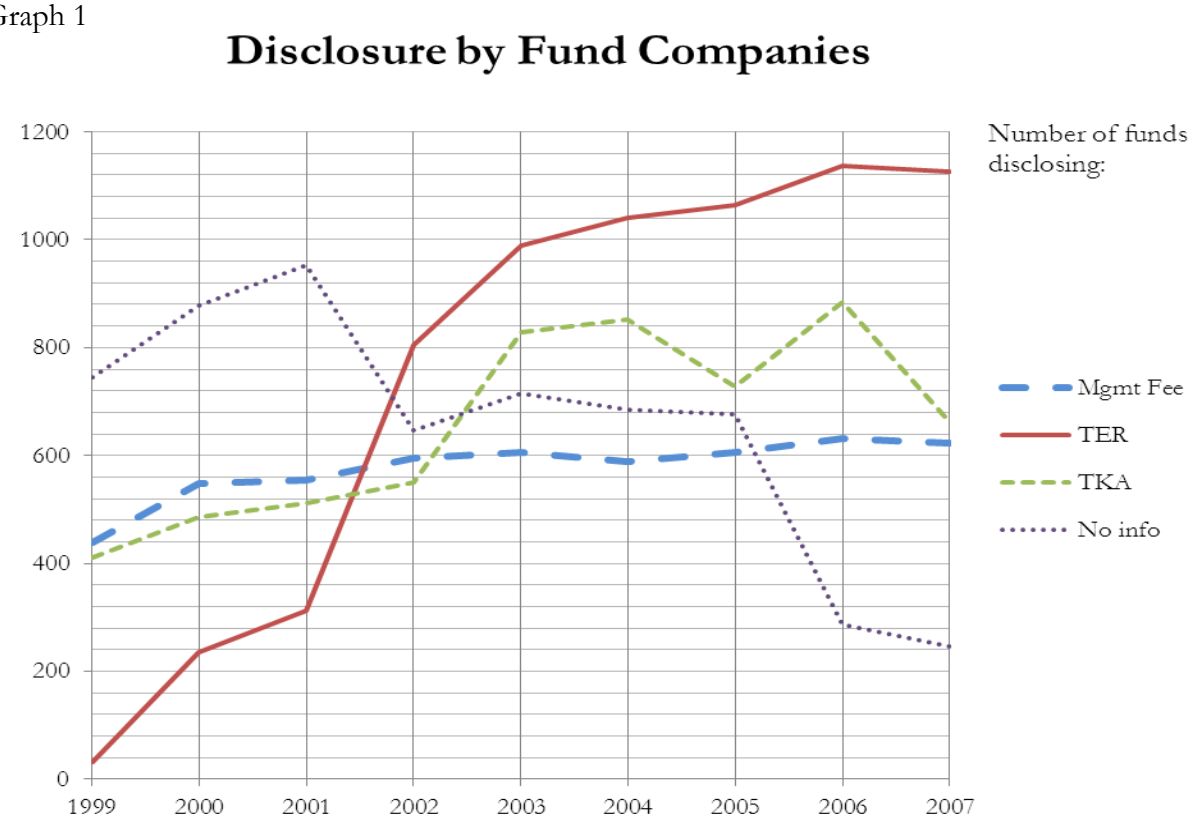
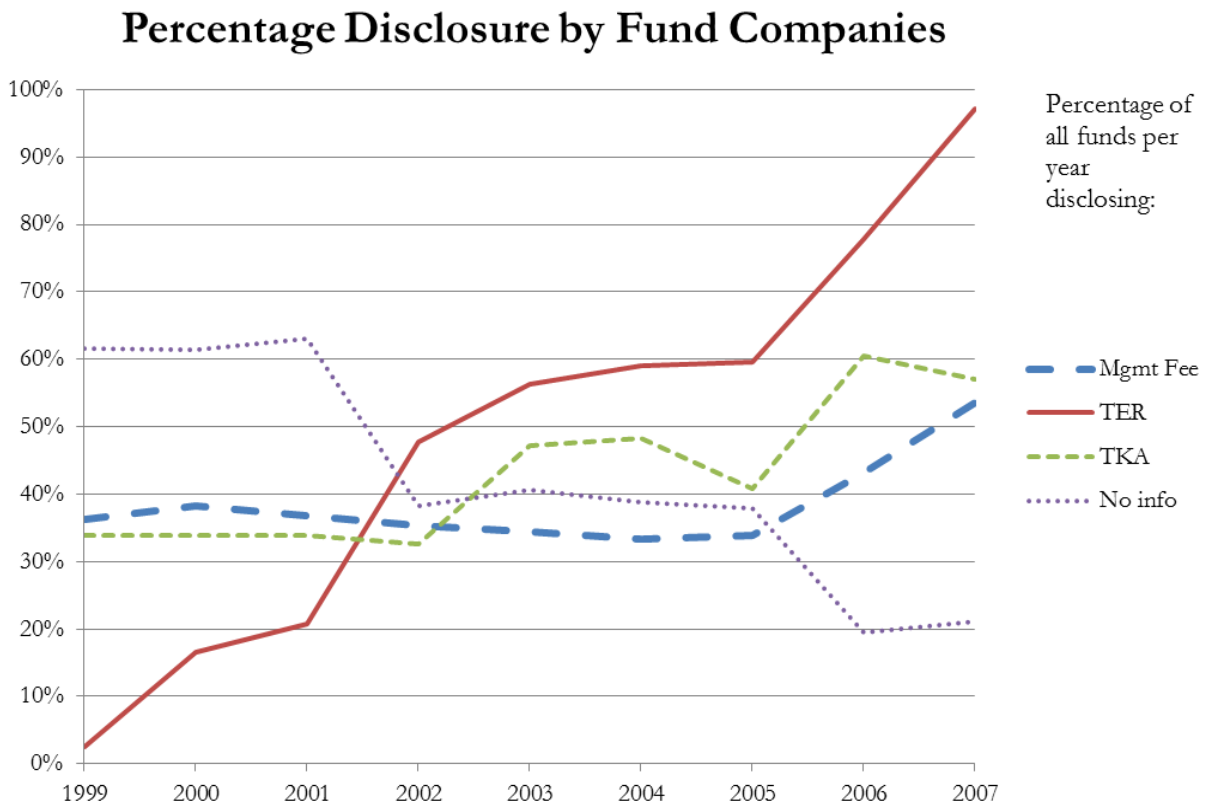
Appendix

Graph 1



Graph 2



Graph 3

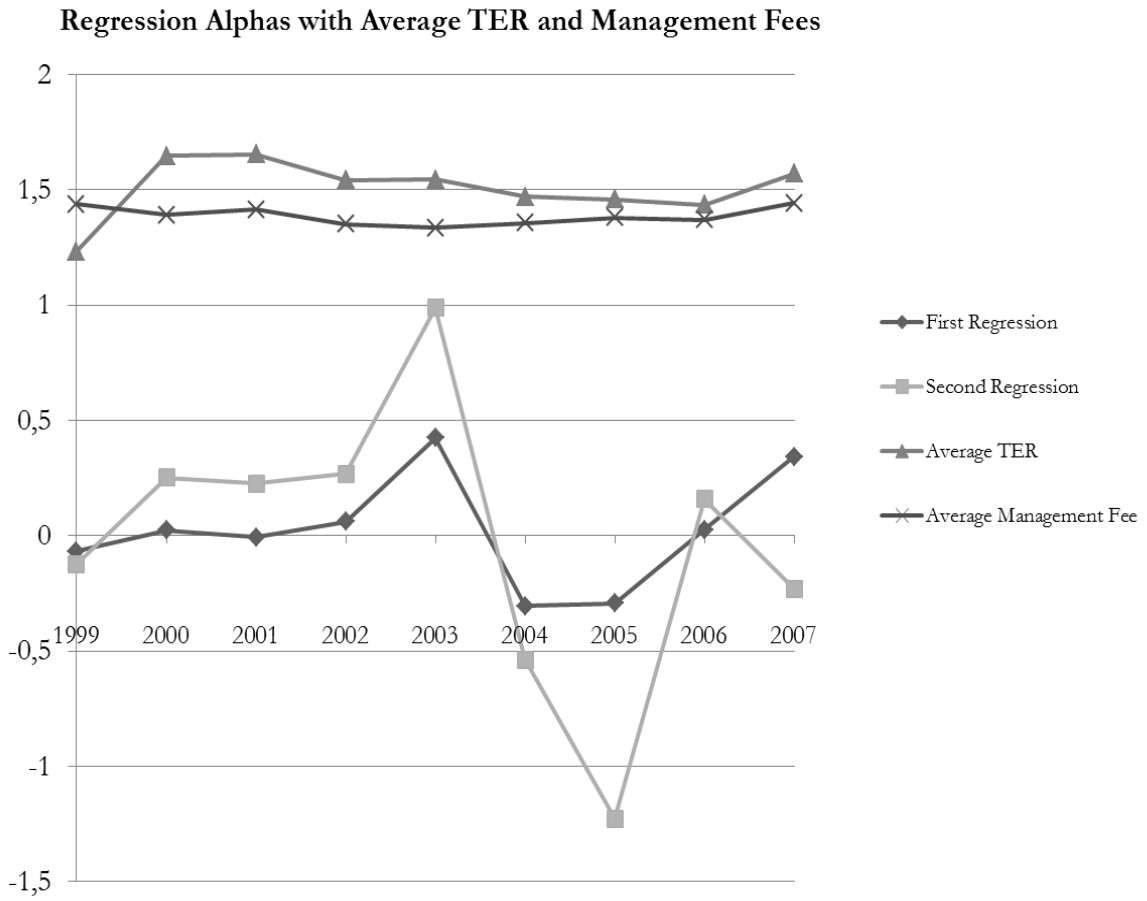

Regression Alphas with Average TER and Management Fees
2
1,5
1
0,5
0
-0,5
-1
-1,5
1999
2000
2001
2002
2003
2004
2005
2006
2007
First Regression
Second Regression
Average TER
Average Management Fee

Table 1

		Obs	Mean	Std.dev.	Min	Max	25th Percentile	75th Percentile	Skewness	Kurtosis
1999	**TER**	156	.0123223	.0060085	.0043	.022	.007	.01841	.2101693	1.608323
Management Fee		2880	.0143625	.0039085	.004	.03	.013	.016	.0948014	5.331445

		Obs	Mean	Std.dev.	Min	Max	25th Percentile	75th Percentile	Skewness	Kurtosis
2000	**TER**	1752	.0164603	.00578	.0031	.037	.0144	.019	.3833673	4.786408
Management Fee		3900	.0138994	.004324	.002	.03	.013	.016	-.4661405	4.598221

		Obs	Mean	Std.dev.	Min	Max	25th Percentile	75th Percentile	Skewness	Kurtosis
2001	**TER**	2472	.0165306	.0065095	.0025	.053	.014	.019	1.462182	11.32576
Management Fee		4224	.0141438	.0041896	.002	.03	.013	.016	-.5094234	4.920113

		Obs	Mean	Std.dev.	Min	Max	25th Percentile	75th Percentile	Skewness	Kurtosis
2002	**TER**	2928	.0154301	.0057544	.0025	.0334	.013	.01889	-.1704941	3.403137
Management Fee		4524	.0135199	.0046183	0	.03	.012	.016	-.4803398	3.928077

		Obs	Mean	Std.dev.	Min	Max	25th Percentile	75th Percentile	Skewness	Kurtosis
2003	**TER**	4200	.0154357	.0056754	.0025	.0415	.0135	.019	.0012165	4.106359
Management Fee		4524	.0133467	.0046614	0	.025	.012	.016	-.6052774	3.629073

		Obs	Mean	Std.dev.	Min	Max	25th Percentile	75th Percentile	Skewness	Kurtosis
2004	**TER**	4152	.0146922	.0053313	.002	.0282	.0131	.017	-.4069819	3.098395
Management Fee		4332	.0135493	.0047633	0	.025	.012	.016	-.5534334	3.495908

		Obs	Mean	Std.dev.	Min	Max	25th Percentile	75th Percentile	Skewness	Kurtosis
2005	**TER**	3936	.0145785	.0056465	.002	.0572	.01389	.017	1.069397	12.70081
Management Fee		4080	.0137897	.0048269	0	.025	.0125	.016	-.6176739	3.574238

		Obs	Mean	Std.dev.	Min	Max	25th Percentile	75th Percentile	Skewness	Kurtosis
2006	**TER**	4272	.0143567	.0052536	.002	.028	.013	.017	-.3086265	3.308104
Management Fee		4428	.0136927	.0049838	0	.025	.0125	.017	-.503062	3.197529

		Obs	Mean	Std.dev.	Min	Max	25th Percentile	75th Percentile	Skewness	Kurtosis
2007	**TER**	4416	.0156968	.0075419	0	.06	.014	.017586	2.127624	13.81345
Management Fee		4236	.014421	.0062248	0	.06	.013	.017	1.904128	17.99454

Table 2

1999

	Obs	3228		R^2	0.4532	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.6032586	.046241	13.05	0.000	.5125939	.6939234
sweden_sek	.5312618	.0433613	12.25	0.000	.4462433	.6162803
_cons	-.0006751	.0012351	-0.55	0.585	-.0030967	.0017466

2000

	Obs	4308		R^2	0.2521	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.5111203	.0259113	19.73	0.000	.4603207	.5619198
sweden_sek	.4187454	.0195308	21.44	0.000	.380455	.4570359
_cons	.0002344	.000966	0.24	0.808	-.0016594	.0021282

2001

	Obs	4500		R^2	0.6406	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.5810604	.033313	17.44	0.000	.5157506	.6463702
sweden_sek	.4492898	.0187294	23.99	0.000	.4125709	.4860087
_cons	-.0000797	.000716	-0.11	0.911	-.0014834	.001324

2002

	Obs	4836		R^2	0.6862	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.638336	.0226559	28.18	0.000	.5939202	.6827518
sweden_sek	.3821069	.0170121	22.46	0.000	.3487555	.4154583
_cons	.000611	.0008661	0.71	0.481	-.0010869	.002309

2003

	Obs	4764		R^2	0.6397	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.8260685	.0260761	31.68	0.000	.7749473	.8771898
sweden_sek	.1866392	.0254993	7.32	0.000	.1366488	.2366296
_cons	.0042382	.0005033	8.42	0.000	.0032515	.0052248

2004

	Obs	4644		R^2	0.4020	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.6011962	.0249051	24.14	0.000	.5523704	.650022
sweden_sek	.5147371	.021697	23.72	0.000	.4722007	.5572735
_cons	-.0030456	.0004586	-6.64	0.000	-.0039446	-.0021466

2005

	Obs	4248		R^2	0.5856	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.6306596	.021223	29.72	0.000	.5890515	.6722677
sweden_sek	.59712	.018081	33.02	0.000	.5616717	.6325682
_cons	-.0029293	.0005398	-5.43	0.000	-.0039876	-.001871

2006

	Obs	4524		R^2	0.6050	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.5973314	.0251482	23.75	0.000	.5480287	.6466341
sweden_sek	.4326938	.0169656	25.50	0.000	.3994329	.4659546
_cons	.0002479	.0004403	0.56	0.573	-.0006154	.0011112

			2007			
	Obs	4572		R^2	0.4188	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.4618715	.017978	25.69	0.000	.4266258	.4971171
sweden_sek	.4087898	.0139217	29.36	0.000	.3814965	.4360832
_cons	.003423	.0004195	8.16	0.000	.0026005	.0042455

Table 3

			1999			
	Obs	3228		R^2	0.4807	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.463823	.1030207	4.50	0.000	.2618302	.6658157
sweden_se	.5695566	.0983917	5.79	0.000	.3766399	.7624732
smb_sek	-.578047	.0698259	-8.28	0.000	-.7149546	-.4411393
hml_sek	-.1992902	.0362083	-5.50	0.000	-.270284	-.1282965
mom_sek	-.1746799	.0312722	-5.59	0.000	-.2359953	-.1133645
smb_glb	.4298997	.0575098	7.48	0.000	.3171401	.5426592
hml_glb	-.1240328	.1153371	-1.08	0.282	-.3501744	.1021089
mom_glb	-.2572522	.0926224	-2.78	0.006	-.4388572	-.0756473
_cons	-.001237	.0025099	-0.49	0.622	-.0061582	.0036843

			2000			
	Obs	4308		R^2	0.2779	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.3888268	.0636524	6.11	0.000	.2640352	.5136184
sweden_sek	.190225	.0422892	4.50	0.000	.1073164	.2731335
smb_sek	.1592699	.0394896	4.03	0.000	.0818499	.2366899
hml_sek	-.0503408	.0380488	-1.32	0.186	-.1249362	.0242545
mom_sek	.1349035	.0408491	3.30	0.001	.0548182	.2149889
smb_glb	-.2725363	.0850007	-3.21	0.001	-.4391816	-.105891
hml_glb	-.0466978	.0803858	-0.58	0.561	-.2042955	.1108998
mom_glb	.1866987	.0374702	4.98	0.000	.1132378	.2601595
_cons	.0025281	.0028972	0.87	0.383	-.0031519	.0082081

2001

	Obs	4500		R^2	0.6601	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.5573384	.0367583	15.16	0.000	.4852741	.6294028
sweden_sek	.3283222	.0307547	10.68	0.000	.2680279	.3886166
smb_sek	-.1799187	.0257372	-6.99	0.000	-.2303762	-.1294612
hml_sek	-.1779565	.0206413	-8.62	0.000	-.2184235	-.1374894
mom_sek	-.0840555	.0094494	-8.90	0.000	-.1025809	-.06553
smb_glb	.649667	.041523	15.65	0.000	.5682615	.7310724
hml_glb	-.0421144	.0398127	-1.06	0.290	-.1201668	.0359381
mom_glb	.2275848	.0298519	7.62	0.000	.1690604	.2861092
_cons	.0022627	.0009063	2.50	0.013	.0004859	.0040396

2002

	Obs	4836		R^2	0.6881	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.9345349	.0688786	13.57	0.000	.7995014	1.069568
sweden_sek	.0275465	.0641986	0.43	0.668	-.0983119	.153405
smb_sek	.0355675	.024819	1.43	0.152	-.013089	.084224
hml_sek	-.2804299	.0553745	-5.06	0.000	-.3889891	-.1718707
mom_sek	.0685323	.023981	2.86	0.004	.0215185	.115546
smb_glb	.2670521	.077055	3.47	0.001	.1159892	.418115
hml_glb	-.288888	.098447	-2.93	0.003	-.4818889	-.0958871
mom_glb	-.0071846	.0394717	-0.18	0.856	-.0845671	.0701979
_cons	.0026873	.0012318	2.18	0.029	.0002725	.0051021

2003

	Obs	4764		R^2	0.6497	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.9186216	.0316578	29.02	0.000	.8565576	.9806855
sweden_sek	.1830039	.0286696	6.38	0.000	.1267981	.2392096
smb_sek	.0374685	.0202759	1.85	0.065	-.0022816	.0772186
hml_sek	-.083203	.0147598	-5.64	0.000	-.1121391	-.0542668
mom_sek	.0715668	.0099805	7.17	0.000	.0520003	.0911332
smb_glb	.0672759	.0548148	1.23	0.220	-.0401864	.1747383
hml_glb	-.4854021	.1247669	-3.89	0.000	-.730003	-.2408011
mom_glb	-.1585346	.0222671	-7.12	0.000	-.2021883	-.1148808
_cons	.0098807	.0018018	5.48	0.000	.0063483	.0134131

2004

	Obs	4644		R^2	0.4197	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.3804558	.0414699	9.17	0.000	.299155	.4617566
sweden_sek	.408654	.0264681	15.44	0.000	.3567638	.4605442
smb_sek	-.0006341	.02048	-0.03	0.975	-.0407848	.0395165
hml_sek	.1135753	.0190381	5.97	0.000	.0762515	.150899
mom_sek	-.0557209	.0163079	-3.42	0.001	-.0876921	-.0237496
smb_glb	.3663054	.0566038	6.47	0.000	.255335	.4772758
hml_glb	-.1611375	.0565144	-2.85	0.004	-.2719325	-.0503424
mom_glb	.14637	.0447841	3.27	0.001	.0585719	.2341681
_cons	-.0053737	.0010304	-5.21	0.000	-.0073938	-.0033535

2005

	Obs	4248		R^2	0.5978	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.7075603	.0274571	25.77	0.000	.6537299	.7613907
sweden_sek	.49113	.0248374	19.77	0.000	.4424357	.5398244
smb_sek	.0691459	.027125	2.55	0.011	.0159667	.1223252
hml_sek	.2098216	.0292752	7.17	0.000	.1524269	.2672162
mom_sek	.0157371	.0124849	1.26	0.208	-.0087399	.040214
smb_glb	-.698436	.1251052	-5.58	0.000	-.9437078	-.4531643
hml_glb	-.1912834	.06401	-2.99	0.003	-.3167766	-.0657902
mom_glb	.74123	.0687478	10.78	0.000	.6064482	.8760117
_cons	-.0122645	.0010163	-12.07	0.000	-.014257	-.010272

2006

	Obs	4524		R^2	0.6217	
Factor	**Coefficient**	**Robust Std. Err.**	**t**	**P>t**	**95% Confidence**	**Interval**
world_sek	.7663731	.0321707	23.82	0.000	.7033028	.8294433
sweden_sek	.2795771	.0254297	10.99	0.000	.2297224	.3294318
smb_sek	-.0198975	.0121101	-1.64	0.100	-.0436392	.0038443
hml_sek	.0099606	.0240133	0.41	0.678	-.0371172	.0570385
mom_sek	-.0194228	.0173821	-1.12	0.264	-.0535002	.0146546
smb_glb	.2495425	.0452496	5.51	0.000	.1608311	.3382539
hml_glb	.2610107	.0618732	4.22	0.000	.1397089	.3823126
mom_glb	.1767055	.0399098	4.43	0.000	.0984627	.2549484
_cons	.0015969	.000947	1.69	0.092	-.0002597	.0034535

			2007			
	Obs	4572		R^2	0.4495	
Factor	Coefficient	Robust Std. Err.	t	P>t	95% Confidence	Interval
world_sek	.553877	.0222152	24.93	0.000	.5103245	.5974294
sweden_sek	.3318598	.0179886	18.45	0.000	.2965934	.3671262
smb_sek	.0673714	.0339877	1.98	0.048	.000739	.1340038
hml_sek	.0290598	.0247143	1.18	0.240	-.0193921	.0775118
mom_sek	.1159863	.0327535	3.54	0.000	.0517735	.1801991
smb_glb	.1583125	.0439945	3.60	0.000	.0720619	.2445631
hml_glb	.2048534	.0941509	2.18	0.030	.020272	.3894348
mom_glb	.3884965	.0443914	8.75	0.000	.3014678	.4755252
_cons	- .0023104	.0008717	-2.65	0.008	-.0040194	-.0006014

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1990:1123 1991 January 1	2004:75 2004 April 1	
SFSA authorization by law		
The SFSA may with regulatory codes prescribe further concerning	The SFSA may with regulatory codes prescribe further concerning	
translation into Swedish of information provided by foreign applicants	translation into Swedish of information provided by foreign applicants	
the required content of foreign applications for operations in Sweden	the required content of foreign applications for operations in Sweden	
fund rule contents	fund rule contents	
derivatives trade	derivatives trade	
information brochure contents	information brochure and fact sheet contents	
annual and half-yearly report contents	annual and half-yearly report contents	
information to unit owners regarding costs and fees affecting fund holdings	information to unit owners regarding costs and fees affecting fund holdings	
what documentation and information applications for fund operations are to include, and	what documentation and information applications for fund operations are to include	
what information fund companies and depositaries are to provide to the SFSA to aid its supervision	what information fund companies, depositaries, fund businesses and management companies are to provide to the SFSA to aid its supervision	
	The insurance for damages liability a fund company may incure in operations	This important insurance protects both fund customers and fund companies from the risk of legal damages crippling the company and leaving the harmed party without compensation
	what constitutes sound operations for a fund company	Industry norms of this kind allow for predictability and customer protection, as sound operations are defined as not harming confidence in the fund industry
	what additional risk information is to be available for customers demanding it	This is important but not part of regular information to customers, such as the fact sheets.
	what information is to be handed in to SFSA regarding risk handling and monitoring	This is information for SFSA only
	calculation of exposure	Authorizing SFSA to set common exposure norms is
	how funds investing in other fund units are to disclose the fees of the funds the units of which are invested in	With fund units now eligible for fund holdins, this is important to customers
	how calculation and disclosure of a special fund's risk level is to be done	Norms for this should be left to SFSA due to the complex nature of special funds
	what constitutes a fund company's starting capital, and	This ensures that all fund companies know how to reach sufficient starting capital
	what fees SFSA may charge to cover its supervision costs	This is of indirect interest to fund customers

Chapter 1

SFS 1990:1114 1991 January 1	SFS 2004:46 2004 April 1	
Definitions		
1 § In this law the following is meant by	1 § In this law the following is meant by	
	1. authorized agency: foreign agency authorized to supervise fund businesses or management companies,	
	2. derivatives: options, futures and swaps as well as similar financial instruments	
EEA: European Economic Area	3. EEA: European Economic Area,	
	4. company means: as per EEA directives for fund businesses or UCITS	Company means is considered as company starting capital, with some additions depending on operations
	5. branch office: a department office with independent management, where a number of operating offices established by a fund company, fund business or depositary are seen as one single branch office	
	6. instruments: securities, fund units, monetary market instruments, derivatives as well as other claims or liabilities intended for trade on the securities market	This includes bonds
fund company: a Swedish limited company with permit for fund activities	7. fund company: a Swedish limited company with permit for fund activities	
	8. fund business: a foreign company	
	a) which in its home country has a permit for operations with the only purpose of collective investments in instruments as well as any derivatives that do not carry responsibility to receive or deliver an underlying asset, using capital contributed from the public or a specific and limited circuit of investors	
	b) employs the principle of risk spreading, and	
	c) the units of which can be repurchased or redeemed using fund business means	
	9. fund business home country:	
	a) if the business is based on contractual law, where the management company is seated	
	b) if the business is based on associative law, where the company is seated	
	10. securities: shares and bonds as well as other partial ownership or claim entitlements issued for public trade - with the exception of monetary market instruments - and depository receipts	A definition of securities is added, providing a clear limitation of what funds may trade with
Fund operations: the management of a fund and the selling and redemption of fund units conducted by a fund company	11. fund operations: management of a fund, selling and redemption of fund units and thereby connected administrative measures	It should be noticed that this definition of fund operations is very critical, as it does not define the setting of management fees as part of fund operations
	12. corporate group: group for common accounting under European Council directives or a group that will present similar accounting according to recognized international accounting codes	By defining a corporate group, the legislation can later refer to limitations on exposures to a single corporate group
	13. management company: a foreign company which in its home country has a permit to manage fund businesses	
	14. management company home country: the country in which the company is seated	
depositary: a bank or other credit institute that stores fund assets and handles payments in and out regarding the fund	15. depositary: a bank or other credit institute that stores fund assets and handles payments in and out regarding the fund	
	16. investment fund: fund as per this law and special funds	
	17. qualified holding: any direct or indirect ownership that represents 10 % of capital or voting power or otherwise allows for significant influence over a company's leadership	
	18. monetary market instruments: treasury bills, bank certificates and other such financial instruments with a duration of at most twelve months normally traded on monetary markets, are liquid and have an exact value known at any given time	
	19. special fund: a fund with units redeemable on demand by unit owners consisting of financial assets, if it is formed with capital contributions from the public or a limited and specified circuit of investors, is owned by the contributors and is managed with any allowed exemptions from chapter 5	
	20. starting capital: by European directives, capital which by national law is contributed by company share owners or other company owners	
securities fund: a fund with units redeemable on demand by unit owners consisting of financial assets, if it is formed with capital contributions from the public and is owned by the contributors	21. securities fund: a fund with units redeemable on demand by unit owners consisting of financial assets, if it is formed with capital contributions from the public, is owned by the contributors and is managed with no exceptions to holdings rules in chapter 5	
Close ties		
	2 § Fund company and other company has close ties if,	The legislation includes limitations based on this definition of close ties, limiting the ability of powerful shareholders or corporate groups to operate in ways that take advantage of their influence across industry borders. It also prevents powerful financial groups or actors from certain interaction with companies they have significant influence over.
	1. one company directly or indirectly through daughter companies own at least 20 % of shares or voting power in the other company,	
	2. one company directly or indirectly is a mother company of the other or there is a similar tie between the companies, or	
	3. both companies are daughter companies to or has similar tie with the same legal person or have a corresponding relation to the same physical person	
	Close ties between physical person and fund company, if	
	1. the physical person	
	a) owns at least 20% of the fund company capital or shares,	
	b) controls at least 20 % of all votes in the fund company, or	
	c) in other way has such influence over the fund company that the position is equivalent to that a mother company has to a daughter company, or	
	2. there is another similar tie between this person and the fund company	
Disclaimer		
	3 § Fund operations can only be conducted per and with support of this law.	A clarification
Conditions for fund operations under this law		
2 § Fund operations permit is available only to companies managing funds that use public contributions, units redeemable on owner's demand.	Fund operations permit is available only to companies managing funds that use public contributions, include only financial assets and with units redeemable on owner's demand.	Notice that the condition that a fund may only include financial assets was still present in 1990 legislation, but in 2004 legislation it is clarified here.
Swedish company intending to conduct fund operations in Sweden		
Fund operations require SFSA approval of application and a permit for fund operations.	4 § A Swedish limited company may by SFSA be given a permit for fund operations. It can also be given permit to manage instruments on behalf of another and carrying out work or functions by contract with fund company, management company or fund business.	SFSA was now also responsible for permits for management services regardings instruments and contracting
National or special funds		
3 § Other undertaking not defined as fund operations but open to public for collective investment, requires SFSA permit. The permit can only be given to entities under SFSA supervision. For such operations this law holds unless exception given, and any exceptions are to be listed in the permit	5 § Permit for special funds may be given to securities companies and Swedish credit institutes permitted for management of instruments on behalf of another. Any exceptions from this law are to be listed in the permit	This limits the type of entity that can deviate from UCITS standards in operations. It should be noted that securities companies and Swedish credit institutes are under SFSA supervision.
EEA management company intending to operate from branch office in Sweden		
	6 § A management company in EEA with a UCITS permit from an authorized agency may	The UCITS standard allows companies to enter agreements with Swedish customers without needing a SFSA permit.
	1. Operate from a branch office in Sweden starting two months after SFSA receiving a notice from an authorized agency in the company's home country. Operations may commence earlier if SFSA approves it.	
	2. Operate by offering and providing services from its home country starting as soon as SFSA is notified and verified by an authorized agency in the home country.	
	if needed SFSA is to inform the management company of operation rules in Sweden.	
	If the company will operate from branch office information on its operations will be given before operations begin.	
	A management company may operate in Sweden only to the extent operations are covered by the operations permit in its home country.	If the UCITS permit is limited in some way it also limits operations in Sweden.
EEA fund business intending to operate in Sweden		
7 § A fund business seated in EEA may market and sell units without a permit if it	7 § A fund business in EEA may market and sell units in Sweden without a permit if it	
1. has permit for fund operations in its home country and	1. in its home country has permit to conduct operations as per current EEG directives	
2. takes measures to be able to in Sweden	2. takes measures to be able to	
pay dividends to unit owners,	pay dividends to unit owners,	
redeem units and	redeem units and	
provide information it is regulated to provide by its home country regulations.	provide information it is regulated to provide by its home country regulations.	
Business that wishes to conduct fund operations as per the above will notify SFSA.	A business that wishes to operate as per the above will notify SFSA. Operations may	SFSA is now to notify its foreign equivalent if an application must be denied.
Operations may commence two months after notification unless the SFSA prohibits it.	commence two months after notification unless the SFSA prohibits it. If conditions are not met, SFSA will prohibit that operations commence. In that case it will inform authorized agency of the decision.	
	If needed SFSA is to inform the business of what regulation holds for operations in Sweden.	SFSA is obliged to inform applicants
Non-EEA or non-UCITS management operations from branch office in Sweden		
	8 § A management company that is not in EEA or is in EEA but not covered by EEG UCITS directives may with SFSA permit conduct fund operation from a branch office in Sweden.	This allows for special funds and other irregular fund operations as well as additional international operations. However, it must establish a branch office to provide accountability.
	Permit requires	
	1. the company is conducting similar operations in its home country,	
	2. the company is under reassuring supervision by an authorized agency that has approved of the business establishing in Sweden, and	
	3. there are reasons to assume planned operations will be sound, starting capital is sufficient and all qualified holders or parties with close ties are eligible.	
	A management company as above can be permitted for certain work or functions by a contract with a fund company, other management company or fund business.	
Non-EEA or non-UCITS fund business operations in Sweden		
7 a § A foreign fund business may after SFSA permission market and sell business units in Sweden, with or without a branch office.	9 § A fund business that is not seated in EEA or is seated in EEA but not covered by current EEG directives may after SFSA permission market and sell business units in Sweden, with or without a branch office.	
The permit requires that	The permit requires that	
1. the business is conducting similar operations in its home country,	1. the business is conducting similar operations in its home country,	
	2. the business is under reassuring supervision by an authorized agency that has approved of the business establishing in Sweden,	Foreign equivalent to SFSA required to clear the applicant
2. the business takes measures to in Sweden be able to	3. the business takes measures to in Sweden be able to	
pay dividends to unit owners,	pay dividends to unit owners,	
redeem units and	redeem units,	
give the information it is by regulation to provide in its home country.	give the information it is by regulation to provide in its home country, and	
3. there are reasons to assume planned operations in Sweden will be conducted as per this law and regulations for operations.	4. there are reasons to assume planned operations in Sweden will be conducted as per this law and regulations for operations.	
Additional responsibilities of fund businesses and non-Swedish management companies		
	10 § Manamagement company and fund business operations in Sweden must be sound, provide confidentiality for single customers unless information is requested by a criminal investigation and responsible for damages it inflicts on customers by violating laws or fund rules.	This important specification is to ensure Swedish customers are only approached by reliable and accountable operations.
	11 § A fund business may in Sweden use the designation it uses in home country.	A minor but possibly important prohibition against confusing company names
	SFSA may, if there is risk of confusion, demand an explanatory addition to the designation	

Chapter 2 & 3

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Primary company requirements for fund operations permit		
1. The fund company is to be registered as a limited company,	1 § Permit for limited company to conduct fund operations requires that	
A fund company is to have its head office in Sweden	1. the company has headquarters/head office ("huvudkontor") in Sweden,	
	2. there are reasons to assume planned operations will be be conducted per this law and regulation of the operations,	
	3. there is reason to assume any qualified holder or person who can be expected to have qualified holding in the company	Qualified holders now had to be verified and trustworthy
	a) will not work against operations complying with this law and regulations for the operations, and	
	b) in other aspects is suitable for exercising significant influence over the leadership of a fund company.	
	4. board members, CEO and deputies thereof has sufficient insight and experience to hold the office in general and participate in leadership of the fund company,	The leadership was now by law to meet competence requirements
The fund rules for all funds intended to be managed are to be approved by SFSA.	5. the fund rules for all funds the company intends to manage are approved by SFSA, and	
The company is not unsuitable for operations by law or in SFSA regard	6. the company meets all the conditions of this law.	
Conditions for qualified holders and closely tied parties		
	2 § Permit cannot be given if anyone who has significantly abstained from any duties in business or other economic matters or has been guilty of serious criminal activity has or is expected to have a qualified holding in the company.	This means SFSa is responsible to see to the ownership of an applicant and the qualities of any influential parties
	If the company has or is expected to have close ties with another, permit can only be given if this does not obstruct supervision of the company.	
If depositary is a branch of a foreign entity		
If the depositary is a Swedish branch of an EEA-seated bank or credit institute SFSA may require that assets part of a securities fund be kept in Sweden	If the depositary is a branch office of a non-EEA credit institute set up in Sweden, SFSA may as a condition for permit prescribe that the assets are to be kept in Sweden.	Note that a depositary may now be the branch of a non-EEA credit institute, and that if the depositary is a branch of an EEA credit institute SFSA may not demand securities are kept in Sweden
This does not hold if they are foreign securities, which can be kept by a foreign depositary	This does not hold if they are foreign securities, which can be kept by a foreign depositary	
Leadership requirements		
	3 § The fund company is to have at least three board members and a CEO.	This is a new condition for fund companies.
Starting capital requirement for fund company		
(The starting capital is set to 1 million by SFSA)	4 § Starting capital, i.e. own means of at least 125 000 euro	
In case of close ties across borders		
	5 § SFSA will before decision consult authorized agency in the EEA country if the applicant	SFSA is to ensure a collusion of interests does not occur due to ownerships across borders
	1. is a daughter company of a management company, securities company, credit institute or insurance company authorized in that country,	
	2. is a daughter company of a mother company of a management company, securities company, credit institute or insurance company authorized in that country, or	
	3. is controlled by the same physical or legal persons that have owner control of a management company, securities company, credit institute or insurance company authorized in that country	
Additional application process conditions		
	6 § Application cannot be sent in before listing in registry of limited companies is complete.	The business plan is described in SFSA regulations
	To be attached is a business plan including a description of fund company organization.	
	From 2004 October 8: A company may also be registered as "europabolag". In that case, the application may be made once the shareholder meeting has decided the seat of the company is moved to Sweden.	
	7 § A company will within six months of sending in full application have a decision from SFSA regarding the permit.	This did not have a separate section in previous legislation.
Additional capital and means requirements		
	8 § Fund company means, which are separate from fund holdings, may under operations not fall below the minimum starting capital of 125 000 euro.	The 2004 legislation imposed a number of additional capital requirements to ensure a company would be solvent
	9 § A fund company managing a fund wealth exceeding 250 million euro is to in addition to 125 000 euros have additional means, corresponding to 0,02 % of the figure in excess of 250 million euro.	
	To fund wealth is counted assets contracted to be managed by another but not assets it is contracted to manage by another.	
	Its own means, including starting capital, need never exceed 10 million euro.	
	A company can replace half of the additional means as above with a guarantee for corresponding figure if the guarantor is	
	1. credit institute or insurance company seated in EEA, or	
	2. other credit institute or insurance company under supervision dictated by European directives.	
	10 § A company is to have due capital to provide coverage for market and credit risks.	
	11 § A fund company's means may not fall below 25 % of fixed costs for the past year or, if not applicable, 25 % of fixed costs as predicted in application.	A company was now to predict its fixed costs
	If scope of operations have changed significantly since last year or if SFSA decides it, the capital requirement is changed.	
Swedish fund company intending to operate in EEA from branch office		
	12 § If a fund company managing securities funds wishes to set up branch office within EEA, it is to inform SFSA before commencing operations. The notification will include.	By 2004 European directives served as a framework for member country's legislations, meaning that Sweden could set clearer and more specific requirements for EEA companies intending to operate in Sweden
	1. a description of planned operations, including office organization and services offered, and	
	2. in which country the branch office is established, with address and leadership designated.	
	13 § If SFSA finds no reason to question the administrative or financial situation of the fund company, it is to within three months of being notified give the notification to an authorized agency in the country of the branch office.	
	It will when doing so provide information on the investor protection effective for the fund company's customers.	
	SFSA is to inform fund company when passing the notification.	
	14 § If a fund company as above is to change any conditions reported after the branch office is established, it is to report to SFSA at least a month before the change is carried out.	
	If SFSA cannot permit the change, it is to respond within a month of being notified and also inform authorized agency in the country.	
	If the investor protection is changed SFSA is to report to authorized agency.	
Swedish fund company intending to operate in EEA without branch office		
13 a § A fundcompany intending to offer units in a securities fund it manages in other EEA countries is to notify SFSA of this.	15 § If a fund company managing securities funds wants to offer and provide services within EEA without setting up a branch office, it is to notify SFSA before operations commence. This also holds if it wishes to change such operations.	
	The report will disclose in which country operations will be conducted and the plan for operations including which services will be offered. SFSA is to within a month of receiving the report give it and all information to an authorized agency in the country. SFSA will also give information about the investor protection for the fund company's customers.	
Swedish fund company intending to operate outside of EEA		
	16 § A fund company that plans to set up a branch office in foreign non-EEA countries is to apply for a permit from SFSA	There is now specific legislation for operations outside of EEA
	The permit will be given if there is reason to assume planned operations will be conducted as per this law and other regulations of company operations.	
	The application will involve all information prescribed for applications for branch offices within EEA.	
Fund company general conduct	Fund company general conduct	
	17 § A fund company is to conduct operations so that public confidence for the fund market is maintained and the capital investments of others are not inappropriately or unduly jeopardized. It will in general conduct operations so that they can be considered sound.	
Prevention of insider trading		
7 § A person with observations into fund company daily trade who simultaneously is	18 § A person with observations into fund company daily trade who simultaneously is	These are vital limitations against insider trading that prevent conflicts of interest, but there is no change in meaning of the law
1. a board member or deputy,	1. a board member or deputy,	
2. an auditor or deputy, or	2. an auditor or deputy, or	
3. a holder of leading office (ledande befattning)	3. a holder of leading office (ledande befattning)	
may not on own behalf obtain securities or other instruments from a fund, sell them to the fund or otherwise trade with the fund	may not on own behalf obtain securities or other instruments from a fund, sell them to the fund or otherwise trade with the fund	
Also applies to whomever through managing assignment or similar has observation into daily trade	Also applies to whomever through managing assignment or similar has observation into daily trade	
Does not apply to purchasing or selling of fund units on own behalf	Does not apply to purchasing or selling of fund units on own behalf	
The board is to in writing inform all with observation into daily trade of the prohibition	The board is to in writing inform all with observation into daily trade of the prohibition	
Confidentiality		
5 § A single person's engagements to a fund company or depositary may not be exposed without authorization.	19 § A single person's engagements to a fund company or depositary may not be exposed without authorization.	
	20 § A company and depositary are obliged to give information about a single person's engagements with the company, if an investigation leader in a criminal investigation demands it or a prosecutor in another state or international court demands it regarding an investigation.	While it is certainly important from a customer perspective that their confidentiality assurance can be overruled by national and international criminal investigations without their knowledge, this is not a change of legislation we see it possible or interesting to analyze.
	20 a § The investigation leader or prosecutor as above may prescribe that the board members and the employees may not expose to the customer or any other person that information as above was requested, or that the investigation is taking place. The prohibition is to have a duration that is possible to extend. Who on purpose or due to severe carelessness violates the prohibition could be subject to a fine.	
Legal damages		
47 § If a unit owner has been caused harm by fund company violation of this law or the fund rules, the company will compensate damages. The same holds for the depositary if it is responsible for any violation and harm.	21 § If a unit owner is caused damage cause of a fund company violating this law or the fund rules, the fund company is to compensate for the damage. The same holds for the depositary if it is responsible for any violation and harm.	
	If a unit owner or fund company is caused damage cause of a depositary violating this law or the fund rules, the depositary is to compensate for the damage	
Legal damages insurance obligation		
	A fund company that manages the instruments of another is to have such insurance specified for any damages obligations a fund company may incur in the course of management and financial services.	This important insurance protects both fund customers and fund companies from the risk of legal damages crippling the company and leaving the harmed party without compensation
	3	
Depositary		
14 § For every securities fund there will be a depositary. It is to be a bank or other credit institute seated in Sweden or a Swedish branch office of a bank or credit institute seated in EEA	1 § For each investment fund there will be a depositary. The depositary is to be seated in Sweden or, if it is a branch office in Sweden, another EEA country.	The removed specification of what entity could become a depositary could make it more difficult for a customer to know exactly what nature a depositary has, but there doesn't appear to be a way to analyze an effect.
The depositary is to act independently of the fund company and exclusively in the common interest of the unit owners.	The depositary is to act independently of the fund company and exclusively in the common interest of the unit owners.	
Depositary obligations		
15 § The depositary will execute all fund company decisions regarding the fund unless in conflict with this law or the fund rules	2 § The depositary is to carry out decisions regarding the investment fund made by the fund company unless they violate this law or the fund rules.	
1. receive and keep the property included in the fund,	The depositary will receive and store what property is included in the fund.	
	It will in addition, ensure that	
2. ensure that sales and redemption of fund units happen as prescribed by law and the fund rules,	1. sales and redemption of units is in accordance with law and fund rules,	
3. ensure that unit value is calculated as per the law and the fund rules,	2. fund unit value is calculated as per law and fund rules,	
4. ensure that fund property comes into its possession without delay,	3. assets in the fund without delay comes into depositary possession, and	
5. ensure that fund holdings are used as prescribed by this law and the fund rules	4. fund means are used in accordance with law and fund rules	
If foreign instruments are included in the fund, the depositary may let a foreign depositary keep them.	If foreign instruments are included in the fund, the depositary may let a foreign depositary keep them. The depositary is still fully responsible under this law.	This is an important additional disclaimer regarding depositary responsibilities.
16 § A depositary may not as regards the fund take or grant loans, or provide surety or bail.	3 § A depositary may not as regards the fund take or grant loans, or provide surety or bail.	

Chapter 4

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	4	
General legislation for investment funds		
8 § A securities fund cannot obtain rights or assume liabilities. It cannot stand in court or in other agency.	1 § A securities fund cannot obtain rights or assume liabilities. It cannot stand in court or in other agency.	
Property included in the fund can not be subject to enforced recovery.	Property included in the fund can not be subject to enforced recovery.	
Unit owners do not answer for liabilities of the fund	Unit owners do not answer for liabilities of the fund	
12 § The fund company represents shareowners in all matters regarding the securities fund. The company acts in its own name in the course of management and will in connection provide the fund designation.	2 § The fund company represents shareowners in all matters regarding the securities fund. The company acts in its own name in the course of management and will in connection provide the fund designation.	
	The fund company may use the assets in an investment fund to meet any obligations that it has taken as a part of managing the fund and to provide safety ("ställa säkerhet") that it will meet obligations. This is subject to the limitations of this law and regulations.	This addition opens for agreater range of management options, but could allow for more risks of unit owner means.
16 Fund company and depositary to act independently of one another and exclusively in the common interest of fund unit owners.	In the course of managing an investment fund the fund company is to act exclusively in the common interest of the unit owners.	This highly critical change entails that fund companies can act outside of the common interest of unit owners when setting fees, as managing a fund does not include the setting of fees
	"Vid förvaltningen av en investeringsfond skall fondbolaget handla uteslutande i fondandelsägarnas gemensamma intresse."	
	The fund company is to act independently of the depositary.	
13 § 1. The fund company may not handle or manage property that is included in a fund it manages.	3 § The fund company may not handle or manage property that is included in a fund it manages.	
On contracting		
	4 § Fund company may contract another for work or functions part of fund operations with the purpose of making operations more efficient.	
Contract requirements		
	5 § If the contract involves contracting management of fund assets, the agreement will include guidelines for the contractor's placement of fund means. The fund company must reserve the right to regularly see over and revise the guidelines.	While our database contains no information on contracted management, it is certainly beneficial to customers that the law enforces sound contracting with precise demands
	The contract may not be of such scope or character that the company defers responsibility to the degree it cannot care for unit owners' interests or cannot meet the obligations of this law.	
	Any contracting can never take away a fund company's responsibility under this law	
	The contractor must have sufficient specialist knowledge and competence based on the contract and its agreements.	
	The agreement must allow the fund company to monitor the entrusted operations, to give instructions needed for sound management and with immediate effect end the agreement, if it would be in the common interest of the unit owners.	
Eligible contractors		
	A management contract may be given to	
	1. a company under SFSA supervision and has permission to manage investment funds or instruments of another,	
	2. a company seated in EEA, if under supervision of authorized agency and with permit as in 1,	
	3. another foreign company that is	
	a) under supervision of authorized agency in home country,	
	b) permitted to manage investment funds or instruments of another,	
	c) supervised with an authorized agency in the home country with which SFSA can cooperate and communicate.	
Ineligible contractors		
	6 § A management contract may not be given to a depositary or other company the interests of which may come into conflict with the interests of fund company or unit owners.	
SFSA approval of contracting		
	7 § If a company wishes to contract another company for operations it is to report this and give contract to SFSA. If SFSA finds that the contract agreement violates the law or obstructs supervision of the fund company, SFSA will injunction the fund company to demand corrections from the counterpart.	
Fund rule contents prescribed by law		
	8 § Fund rules are to include	
Name of the fund, the fund company and the depositary	Name of the fund, the fund company and the depositary	
The basis for the investment approach and the placement of means, especially noting if derivatives will be included and if the fund has permission to place more than 35 % of holdings in bonds with certain issuers	The basis for the investment approach and the placement of means, especially noting if derivatives will be included and if the fund has permission to place more than 35 % of holdings in bonds with certain issuers. If so, all the issuers are to be listed.	A fund allowed to hold more than 35 % of fund value in bonds is to provide a list of issuers. Otherwise, no change.
Whether dividends are paid, what they will be based on and how they will be issued	Whether dividends are paid, what they will be based on and how they will be issued	
The basis for the calculation of fund and fund unit value	The basis for the calculation of fund and fund unit value	
The basis for sale and redemption prices of units	The basis for sale and redemption prices of units	
Where and how unit sale and redemption will take place	Where and how unit sale and redemption will take place	
The basis for all fees taken from the fund by fund company or depositary	The basis for all fees taken from the fund by fund company or depositary	
Any fees taken for the sale, management and redemption of units	Any fees taken for the sale, management and redemption of units	
How a pledging of units is made	How a pledging of units is made	
The fund's fiscal year	The fund's fiscal year	
When and where sale and redemption prices of units as well as annual and half-yearly reports will be made public and where changes to fund rules will be announced	When and where sale and redemption prices of units as well as annual and half-yearly reports will be made public and where changes to fund rules will be announced	
	For special funds:	
	Any specified circuit apart from the public the fund is aimed at	
	How the special fund deviates from what is prescribed for securities funds	
	What risk level is sought and which me asurement of risk is used	
Approval of fund rules and fund rule changes		
10 § Fund rules will be certified by SFSA, as will all intended changes to them. Changes that are reasonable from a unit owner's perspective will be approved. If a change is deemed to be significant SFSA can demand share owners are informed of it and how they will be informed of it.	9 § Fund rules will be certified by SFSA, as will all intended changes to them. Changes that are reasonable from a unit owner's perspective will be approved. If a change is deemed to be significant SFSA can demand share owners are informed of it.	SFSA is now not authorized to prescribe how unit owners are made aware of changes to the fund rules, only that they are.
SFSA may prohibit changed fund rules from becoming effective earlier than - at most - three months after SFSA approval of the new fund rules.	SFSA may prohibit changed fund rules from becoming effective earlier than - at most - three months after SFSA approval of the new fund rules	
Fund unit basics and unit redemption		
10 § All units are of equal size and represent an equal share of fund property. New units can be issued only after payment for them have been added to fund holdings. The unit value is the total fund value divided by number of units, with fund value calculation described in the fund rules. Fund property is evaluated using current market value.	10 § All units are of equal size and represent an equal share of fund property. New units can be issued only after payment for them have been added to fund holdings. The unit value is the total fund value divided by number of units, with fund value calculation described in the fund rules. Fund property is evaluated using current market value.	
The fund company will continuously and at least once a week calculate and disclose fund unit value.	The fund company will continuously and at least once a week calculate and disclose fund unit value.	
Registry and notifying customers they are registered		
11 § Registry is to be kept of all unit owners.	11 § Registry is to be kept of all unit owners.	
If the registry is not kept by the fund company, it must have permission to at any time access and look through it.	If the registry is not kept by the fund company, it must have permission to at any time access and look through it.	
The fund company is to inform each unit owner that the ownership is registered. This confirmation is to include fund designation, fund company and depositary names as well as where brochure and reports can be obtained.	The fund company is to inform each unit owner that the ownership is registered. This confirmation is to include fund designation, fund company and depositary names as well as where brochure, fact sheet and reports can be obtained.	Added the fact sheet
Entrusting of units to another party		
11 a § If a unit owner has left the managing of shares in the care of another party, this party can on owner demand be registered instead of the owner. This is to be noted in the registry. The other party will receive the information intended for the owner unless the owner waives this service.	12 § If a unit owner has left the managing of shares in the care of another party, this party can on owner demand be registered instead of the owner. This is to be noted in the registry. The other party will receive the information intended for the owner unless the owner waives this service.	
A permission to be registered as other party may be combined with certain conditions.	A permission to be registered as other party may be combined with certain conditions.	
The permit is revoked by SFSA if a permit condition is violated substantially or circumstances for the permit no longer exist.	The permit is revoked by SFSA if a permit condition is violated substantially or circumstances for the permit no longer exist.	
Redemption and delaying of redemption		
12 § A fund unit will, on demand of the owner, be immediately redeemed if there is liquidity in the fund. If holdings need to be sold to obtain liquidity, this will be done as soon as possible. If that would disadvantage other unit owners, the fund company may wait after reporting to SFSA. If a depositary manages the fund, units may not be sold or redeemed.	13 § A fund unit will, on demand of the owner, be immediately redeemed if there is liquidity in the fund. If holdings need to be sold to obtain liquidity, this will be done as soon as possible. If that would disadvantage other unit owners, the fund company may wait after reporting to SFSA. If a depositary manages the fund, units may not be sold or redeemed.	
Pledging of units		
32 a § If legislation for accounting of financial instruments is not applicable to fund units, the legislation on promissory notes is instead applied when fund units are pledged.	14 § If legislation for accounting of financial instruments is not applicable to fund units, the legislaiton on promissory notes is instead applied when fund units are pledged.	
In that case the debtor is the fund company or the manager if the units are registered with a manager	In that case the debtor is the fund company or the manager if the units are registered with a manager	
Information documents		
26 § One information brochure is to be set up for each fund.	15 § For each fund there will be information brochure and fact sheet.	It is now legislated and specified what customers need, allowing for greater conformity without SFSA providing all the details to be included. The fact sheet is introduced.
Brochure contents		
The brochure is to include	The brochure is to include	
1. fund rules,	1. fund rules,	
2. additional information needed to assess fund operations	2. additional information needed to assess the fund and the risk associated with investing in it,	A somewhat general description of what customers will be provided, with the 2004 law adding risk information requirement. SFSA is thereby given more responsibility to judge what is sufficient for customers.
	3. a clear and easily understood explanation of fund risk profile, and	This leaves SFSA to specify as needed
	4. information of work or functions the company may contract to another party	
	The fact sheet is to contain easily understood and summarized information needed to assess the fund and the risk associated with investing in it. The sheet may be attached to the brochure as a detachable part.	
Fact sheet and additional brochure contents		
	16 § The information brochure and fact sheet for a fund will also disclose	These content posts are now explicit in law, rather than mandated by SFSA
	1. in which asset types/categories fund means may be placed, and	
	2. whether the funds may place in derivatives and, if so, with what purpose and how the use of derivatives may affect the risk profile	
Additional fund types		
	The brochure, fact sheet and all promotional material for the fund will have prominent disclosure of	The posts below require that information documents classify the fund clearly
	1. fund investment focus, in case fund means are placed in other assets than securities and monetary market instruments or if the fund is an index fund	The fund investment focus is now by law to be included, not just by regulation
	2. if fund value can vary strongly cause of fund composition and the management methods used, and	A useful warning, defined generally
	3. if the fund is permitted to place more than 35 % of fund value in bonds, a list of issuers or guarantors that have issued or guaranteed bonds in which fund means are or are to be placed	This allows customer scrutiny of the correct bond issuers
	If the fund is a special fund, this to be clear in information brochure, fact sheet and all promotional material.	Important, seeing as special funds are complicated and have higher risk
Additional risk information to customer		
	17 § The company is to give complementary information on risk handling to unit owner or prospective buyer. This includes quantitative limits for placement of fund means, methods used for management , the latest developments of risk levels and returns from the most important asset categories for the fund.	It is assumed by legislation that a layman could not make use of advanced risk information, instead obliging fund companies to be ready to provide it on demand
Annual and half-yearly report contents		
27 § Fund company will for each fund managed set up an annual report and a half-yearly report	18 § fund company will for each fund managed set up an annual report and a half-yearly report	
The reports are to include information needed to assess development and position of each fund.	The reports are to include information needed to assess development and position of each fund.	
Auditor comments		
	19 § Fund company auditors are to look through all books that are the basis for the annual report for a fund. An auditor report with any criticism will be included in full in the annual report.	The annual report is to include verification by auditors.
Whether information documents are sent automatically or upon request		
Information brochures and latest reports will be given or sent free of charge to unit owners.	20 § Information brochures, fact sheet and latest reports will on demand be given or sent free of charge to a prospective buyer. The fact sheet is offered before agreement whether demanded or not.	As of the new legislation, information previously sent by default now has to be demanded.
	The reports will on demand be sent free of charge to unit owners, and are to be available at the fund company and depositary.	Reports are now to be available at physical addresses
28 § The information brochure and reports will, before units are sold, be offered and on demand given or sent to the prospective buyer.	The fund company is to again ask unit owners if they want reports and brochures when providing information on yearly costs.	Unit owners are with the new legislation reminded yearly that the information documents can be sent free of charge
Advertising information		
If a fund company through advertising or otherwise offers the public units, the offer will mention the information brochure and where it can be obtained.	If a fund company through advertising or otherwise offers the public units, the offer will mention the fact sheet and the information brochure and where they can be obtained.	
SFSA verification of information documents		
29 § Information brochures and reports are to be sent in to SFSA on completion.	21 § Information brochures, fact sheet and reports are to be sent in to SFSA on completion.	
Yearly information on costs to unit owners		
27 a § The fund company will each year in writing inform each unit owner what figure out of total costs for the past year affected their fund holdings. The information is to disclose how much is management costs, including asset storage cost.	22 § The fund company will each year in writing inform each unit owner what figure out of total costs for the past year affected their fund holdings. The information is to disclose how much is management costs, including asset storage cost.	As of today, this is still prescribed by SFSA as informing customers in the form of a percentage of unit value. Note that a percentage is scalable, but does not inform of the absolute cost
If units have been left in the care of another party the information is supplied to the other party. The information can be summed for all units this party cares for.	If units have been left in the care of another party the information is supplied to the other party. The information can be summed for all units this party cares for.	
Information to pension savings institutes		
27 b § Regarding units placed as individual pension savings the information is to be given to the retirement savings institute.	23 § Regarding units placed as individual pension savings the information is to be given to the retirement savings institute.	
If unit holdings are registered in institute name (manager registered), the company is to inform of costs burdening the fund on a daily basis for the previous calendar year, per fund unit. It will disclose how much for each day is management costs, including costs for storage of fund assets.	If unit holdings are registered in institute name (manager registered), the company is to inform of costs burdening the fund on a daily basis for the previous calendar year, per fund unit. It will disclose how much for each day is management costs, including costs for storage of fund assets.	This highly detailed information is by the legislators considered useful only to large institutes

Chapter 5

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General placement instructions		
17 § Each fund must have suitable allocation with regards to the risk spreading tied to the investment focus in the fund rules	1 § Every securities fund is to have suitable placement distribution considering the risk diversification tied to the investment focus in the fund rules.	
A securities fund may have liquid assets needed for operations.	A securities fund may have liquid assets needed for operations.	
21 § derivatives		
21 § Derivatives may be traded with the purpose of making management more efficient or to protect fund value from currency losses or other risks.	Derivatives may be used with the purpose of making management of assets more efficient.	
	Funds may – limited by this chapter – place in securities, monetary market instruments, derivatives, other fund units and in credit institute accounts.	The law sets clear limits for regular, UCITS funds with this sentence
Risk handling system		
	2 § A company is to have a system for risk handling that makes it possible for it to at any time control and assess the risk tied to the positions and how the positions affect the risk profile.	This introduced obligation to create a system for risk handling is important to customers, but only indirectly as the information on the system is to be provided to SFSA.
	If the fund invests in derivatives traded directly between parties, the system for risk handling will enable the company to make and exact and independent assessment of the value of these derivatives	
	For every securities fund managed, this information on risk handling will be provided SFSA	
Primary instrument requirements		
18 § Fund holdings may be placed in securities and other instruments that are or are intended to within a year become	3 § Securities funds may place in monetary market instruments and securities that are, or in securities that within a year are intended to become,	Monetary market instruments must already be listed, unlike securities.
1. listed at Swedish or foreign stock exchange,	1. listed at Swedish or foreign stock exchange,	
2. listed at authorized marketplace, or	2. listed at authorized marketplace, or	
3. subject to regular trade in regulated market open to public	3. subject to regular trade in regulated market open to public	
A condition is that exchange, marketplace or market is in fund rules or is approved by SFSA for the placements	A condition is that exchange, marketplace or market is in fund rules or is approved by SFSA for the placements	
Additional eligible monetary market instruments		
	4 § A securities fund may place in other monetary market instruments than above if rules provide specific protection for investor and they are instruments that are	This provides new opportunities for fund management, with specific legislation and limitations. Unit owners save protected, but the law protecting them in this context are difficult to understand.
	1. issued or guaranteed by a state, municipality or municipal agency in a country within the EEA or a general international body with at least one EEA member or	
	2. issued by a company the instruments of which are traded on a regulated market under, or	
	3. issued or guaranteed by body either subject to supervision under EEA directives or equivalent regulation, or	
	4. issued by a company belonging to categories approved by SFSA, provided investments in the instruments are protected as above and the company in addition	
	a) has capital and reserves amounting to at least 10 million euro and presents accounting under current EEG directives, or	
	b) is an entity that, within a corporate group, carries out group financing, or	
	c) is an entity involved in securitization with credit reinforcement from bank	
Holdings in unlisted instruments		
A securities fund may hold instruments not according to "Primary instrument requirements", up to 10 % of fund value.	5 § A securities fund may include securities and monetary market instruments not according to "Primary instrument requirements" or "Additional eligible monetary market instruments", up to 10 % of fund value.	
If instruments intended to be listed within a year have not been listed and they now amount to more than 10 % of fund value they are to be disposed of as soon as possible, with due care of unit owner interests.	If instruments intended to be listed within a year have not been listed and they now amount to more than 10 % of fund value they are to be disposed of as soon as possible, with due care of unit owner interests.	
If the fund contains	If the fund contains	This provides SFSA with data on how often funds trade in irregular instruments.
	securities that are intended to be listed or subject to regular trade within a year or	
	other securities and monetary market instruments, the fund company is to report to SFSA if the value of such instruments exceed 30 % of fund value.	
Exposures to single issuers of securities, monetary market instruments and bonds		
19 § The fund may contain securities and instruments with a common issuer up to at most	6 § A securities fund may not, unless otherwise stated in this law, include securities and monetary market instruments with one issuer up to more than 5 % of fund value	
1. 5 % of fund value, or	and monetary market instruments with one issuer may be included in a fund	
2. 10 % of fund value, if the collected value of holdings larger than 5 % amount to at most 40% of fund value, or	1. up to 35 % of fund value if issued or guaranteed by a state, municipality or municipal agency in a country within the EEA or a general international body with at least one EEA member	While not following the same order, these placement limitations are unchanged
3. 25 % of fund value if the instruments are bonds and the issuer is a credit institute and by law subject to special supervision intended to ensure bond holders, if such holdings amount to at most 80 % of fund value, or	2. up to 25 % of fund value if they are bonds issued by a credit institute seated in EEA and by law subject to special supervision intended to ensure bond holders, provided such holdings do not amount to more than 80 % of fund value, and	
4. 35 % of fund value if the instruments are bonds and the issuer or the guarantor is a state, municipality or municipal agency in a country within the EEA or a general international body with at least one EEA member	3. up to 35 % of fund value in other cases than 1 or 2, provided the total value of the assets with higher value than in the first paragraph amounts to 40 % of fund value at most	
	A securities fund may not include securities and monetary market instruments with issuers in the same company group amounting to more than 20 % of fund value.	This additional limitation prevents concentration in corporate groups, reducing risks for unit owners.
Exceptions to exposures to single issuers for index funds		
	7 § The limitations in "Exposures to single issuers of securities, monetary market instruments and bonds" do not hold for securities funds with fund rules stating that holdings will be placed in shares or bonds in order to imitate a share index or indebtedness index, if the index is approved by SFSA.	This provides more flexibility to index funds, who may be following indices that by themselves breach concentration limitations. It is up to unit owners to read fund information and become aware of what index is followed.
	Approval of index requires that the index	
	1. has a diverse composition	
	2. is a suitable reference to the market it refers to, and	
	3. is made public suitably.	
Exceptions to exposures to single issuers of bonds		
20 § "Exposures to single issuers of securities, monetary market instruments and bonds" does not hold for securities funds given particular permit to hold obligations issued or guaranteed by a state, municipality or municipal agency in a country within the EEA or a general international body with at least one EEA member.	8 § "Exposures to single issuers of securities, monetary market instruments and bonds" does not hold for securities funds given particular permit to hold obligations issued or guaranteed by a state, municipality or municipal agency in a country within the EEA or a general international body with at least one EEA member.	
The bonds must still have at least six issuers and no holdings with a common issuer can amount to more than 30 % of fund value.	The bonds must still have at least six issuers and no holdings with a common issuer can amount to more than 30 % of fund value.	
The permit above is tried together with SFSA approval of fund rules.	The permit above is tried together with SFSA approval of fund rules.	
Securities with warrants attached		
8 § Regardless of "Exposures to single issuers of securities, monetary market instruments and bonds" instruments with warrants attached may be acquired for a security if the acquisition is based on earlier holdings.	9 § Regardless of "Exposures to single issuers of securities, monetary market instruments and bonds" securities or monetary market instruments with warrants attached may be acquired by a fund if the acquisition is based on earlier holdings.	
Deposits in credit institutes		
	10 § Securities funds may place in accounts of Swedish and EEA-seated credit institutes or credit institutes with supervision rules corresponding to European common law. The account may have a binding time of at most 12 months. Whether the binding time the account conditions must allow the possibility of termination to make means immediately available to the fund.	A fund may not agree to completely and irrevocably bind any of its means in a credit institute account
	11 § A securities fund may include deposits in one single credit institute or credit institutes in a single company group up to 20 % of fund value.	With deposits in credit institutes now allowed, 2004 legislation provided limitations
	An index fund may include shares or bonds from one single issuer or issuers of a single corporate group up to 20 % of fund value. Under exceptional market conditions on the market of the index this may after SFSA permission come to 35 %.	Another example of the increasing flexibility and variety in fund management the 2004 legislation allowed
Derivatives trading		
21 § Derivatives may be traded with the purpose of making management more efficient or to protect fund value from currency losses or other risks.	12 § Securities funds may place in derivatives, if these are traded on a regulated market and	The 2004 also allows derivatives trade on the condition that the intent is to make management more efficient, but mentions this separately.
	1. the underlying assets are or refer to	A clarification of exactly what derivatives may be based on. Notice that UCITS norms and Swedish legislation limits funds to financial derivatives
	– securities,	
	– monetary market instruments,	
	– financial indices,	
	– interest rates,	
	– currency exchange rates, or	
	– foreign currencies, and	
	2. the underlying assets are permitted by the fund rules.	
	Funds may also place in derivatives as above that are traded directly between parties, if	Direct derivatives trade not taking place in a regulated marketplaces is permitted under certain conditions
	1. the counterpart is supervised and belongs to categories approved as counterparts by SFSA, and	
	2. the derivatives are subject to a daily, reliable and controllable valuation and can on demand be sold, redeemed or closed with an offset transaction of reasonable value.	
Calculation of exposure from derivatives trade		
	13 § Regarding exposure to issuer, limits from "Exposures to single issuers of securities, monetary market instruments and bonds" hold in a corresponding way to the issuer of the underlying securities or monetary market instruments of derivatives. This does not hold for index-based derivatives part of an index fund.	Derivatives are based on regular instruments and monetary market instruments, and exposure limitations hold as for regular instruments. Index funds are exempt from being limited as their fund rules state they are to imitate an index.
	The collected exposures from derivatives of a securities fund may not exceed fund value	This entails that a fund cannot tie itself to derivatives contracts it cannot meet at any given time
	The exposures are calculated with respect to underlying assets, counterpart risk, coming market movements, the derivative's remaining duration and the time available for redeeming the instruments.	This forces fund companies to spend time and resources on rigorous risk assessment if they are to use derivatives, which is good for customers. The assessment is complicated, however.
	If a security or monetary market instrument includes a derivative, this will be taken into account when calculating exposure.	
Exposure to single counterpart in derivates trading		
	14 § In a securities fund the exposure to one single counterpart when trading in derivatives may amount to at most 10 % of fund value, provided the counterpart is a credit institute under European common law supervision. Otherwise this limit is 5 %.	European common law is considered as providing sufficient reliability in derivatives trading. Notice that other counterparts are limited as per usual.
Conditions for owning units of other funds or fund businesses		
22 § The securities fund may contain units in other securities funds or foreign fund businesses amounting to at most 5 % of fund value.	15 § A securities fund may only place in units of	The previously quite restrictive 5 % limitation is increased to 20 %, allowing for more fund holdings in other funds. This provides quick diversification but makes prevention of undue power contration or exposures more difficult. It also makes fees accumulate, as units held are burdened with fees as if a private customer owned them.
	1. other funds under UCITS standards,	When allowing for more placements in other funds, legislation now also established several conditions that had to be met.
	2. fund businesses, and	
	3. special funds and fund businesses, provided they also	
	a) make collective investments in assets under this chapter with means contributed by the public,	
	b) apply the principle of risk diversification,	
	c) are open to exit and give unit owners a protection equivalent to that given to unit owners of a securities fund, and	
	d) for every fiscal year leaves annual and half-yearly report that contains information necessary for assessing assets, matters of responsibility, returns and events that have occured during the report period.	
	Fund holdings may be placed in units of other funds or fund businesses as above only if these funds or fund businesses may, by fund rules or articles of association, in turn place at most 10 % of their means in units of other funds or fund businesses.	This ensures that the value of funds that are held do not turn dependy greatly on the value of other funds. It also prevents fees from accumulating heavily
Exposure to other funds or fund businesses		
	16 § A securities fund may include units in one single fund or one single fund business up to at most 20 % of fund value.	Recall that a fund may only own 20 % of the units in a different fund. This is an additional limitation that limits how much fund value can hinge on another fund's value.
	Placements in special funds or fund businesses may amount to at most 30 % of fund value.	
Exceptions to other limitations when fund units indirectly increase exposure and ownership concentration		
	17 § Securities funds may place in units of another fund or in a fund business even if this entails violation of limits under	Seeing as fund units are diversified in and of themselves and a fund company owning a unit cannot exercise any voting power a share holds, it is of less concern if limitations are breached because of ownership of other fund units.
	"Exposures to single issuers of securities, monetary market instruments and bonds",	
	"Deposits in credit institutes"	
	"Exposure to single counterpart in derivates trading"	
	"Limitations on exposure to a single company group across several issuers and instruments"	
Information document information concerning funds held		
	18 § If a significant part of fund holdings are placed in fund units, the fund information brochure and fact sheet will contain information not only on the highest fee that may be taken from the fund for management, but also the highest fee that may be taken from the funds the units of which are included in the fund.	This provides unit owners with information about how fees accumulate when their fund acquires units in other funds.
If securities funds means are placed in units of a fund or fund business that in turn is managed,	If securities funds place in units of a fund or fund business that in turn is managed,	
1. directly or by contract, by the same fund company managing the securities fund, or	1. directly or by contract, by the same fund company managing the securities fund, or	
2. by a manager that directly or indirectly has the same leadership or owner as the fund company of the securities fund,	2. by a manager that directly or indirectly has the same leadership or owner as the fund company of the securities fund,	
the fund company can not be charged a fee for purchasing or redemption of units of the fund or fund business it has such ties with.	the fund company can not be charged a fee for purchasing or redemption of units of the fund or fund business it has such ties with.	This entails that funds and fund businesses with common interests cannot charge one another sale or redemption fees, only the price for the unit itself
Additional limitations		
23 § Even if no limitations under "Exposures to single issuers of securities, monetary market instruments and bonds",	19 § Even if no limitations under "Exposures to single issuers of securities, monetary market instruments and bonds",	
	"Exceptions to exposures to single issuers for index funds", and	
	"Exposure to other funds or fund businesses"	
are violated, holdings may in addition not exceed	are violated, holdings may in addition not exceed	
1. 5 % of total voting power in shares with a common issuer,	1. for shares without voting power, 10 % of shares from the same issuer	Of note is that the limitation on voting power is removed, but is instead handled more generally elsewhere by other placement limitations and a general prohibition against fund holdings in shares that gives the fund company significant influence over another business
2. bonds representing 10 % of issuer's outstanding loans if they are not a state, municipality or municipal agency in a country within the EEA or a general international body with at least one EEA member	2. bonds representing 10 % of issuer's outstanding loans if they are not a state, municipality or municipal agency in a country within the EEA or a general international body with at least one EEA member	
	3. 10 % of monetary market instruments from the same issuer unless the issuer or a guarantor is a state, municipality or municipal agency in a country within the EEA or a general international body with at least one EEA member	This additional law is in place to limit concentration in monetary market instruments, which are now explicitly allowed to be part of fund management.
Ownership percentage of other fund units		
3. 10 % of units in other securities funds or fund businesses.	4. 25 % of units in other funds or fund businesses.	The cap on ownership in other funds is increased to 25 % of all units in the fund the units of which are acquired
	The limitations in points 2-4 do not need to be heeded on acquisition, if the gross amount of the bonds or monetary market instruments or the net value of the units subject to issuing cannot be calculated at the time. Calculation must be done when possible.	This is another case of permitting a greater variation in management, but possibly allowing temporary increases in risk
Limitations across multiple funds managed by the same company		
If a fund company manages more than one fund, the limitation on holding voting power holds for all shares with a common issuer in the company's funds.	20 § A securities fund may not acquire shares with voting power that gives the fund company significant influence over the leadership of a company. If a fund company manages more than one fund, the limitation on holding voting power holds for all shares with a common issuer in the company's funds.	The rule against a concentration of more than 5 % still holds elsewhere in the law, so the more general limitation against 'significant influence' is not more lenient, and is there to ensure no fund somehow gains influence over businesses.
Limitations on exposure to a single company group across several issuers and instruments		
	21 § Even if	
	no single issuer's securities or monetary market instruments amount to more than 5 % of fund value, and	By allowing for agreater variety of instruments, the 2004 law must also add a criteria that prevents total fund exposure from becoming too high. This makes for some complicated placement limitations that hold even when a multitude of other limitations are not violated.
	no single non-EEA or non-supervised issuer's securities and monetary market instruments amount to more than 10 % of fund value, and	
	no deposits in a single credit institute or corporate group amount to more than 20 % of fund value, and	
	no derivatives with a single issuer amount to more than 5 % of fund value	
	a fund company must also see to that a fund's exposure to a single corporate group or company does not exceed 20 %.	
	22 § Even if the above holds and	
	no limitations on "Exposures to single issuers of securities, monetary market instruments and bonds" are violated, and	
	the collected exposure to derivatives does not exceed fund value	
	a fund must also see to that exposure to a single corporate group or company does not exceed 35 %	
Fundamental limitations of fund company activities		
13 § The fund company may not in fund operations	23 § A fund company may not in operations	
1. manage property that is part of the fund,	1. take or grant securities loans,	
2. take or grant securities loans,	2. give surety or bail, or	
3. provide surety or bail, or	3. sell securities, monetary market instruments, derivatives or fund units not included in the fund	
4. sell securities not included in the fund.		
Fund company, loans in		
A fund company may always take short-term loans amounting to at most 10 % of fund value.	A fund company may always take short-term loans amounting to at most 10 % of fund value.	
Permission to deviate from placement limitations in initial operations		
21 § SFSA may for a securities fund allow deviations from placement limitations for the first six months of operation.	24 § SFSA may for a securities fund allow deviations from placement limitations for the first six months of operation.	
Disposal of excessive instruments		
If any limit above is breached by a purchase other securities or instruments are to be disposed of to go under the limit as soon as possible, with due care of unit owner interests.	25 § If any limit above is breached by a purchase other securities or instruments are to be disposed of to go under the limit as soon as possible, with due care of unit owner interests.	

Chapters 6 - 9

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On special funds		
	1 § The fund rules for a special fund may, with SFSA permission, include limitations of the possibility to purchase fund units. The fund must be open for unit redemption at least once a year.	Special/national funds have had the ability to gain this exception, but this is made explicit in this law
	2 § SFSA will upon permitting fund rules for a special fund try if the fund has a suitable distribution of placements considering the requirements that should be met for risk diversification.	Special funds are to be particularly verified, as they are more unique
	For management of means in a special fund placement limitations apply unless SFSA grant exception. Derivatives may have different underlying assets than those prescribed in this law, if they are traded on a financial market and do not carry an obligation to deliver or receive the underlying asset.	This allows for derivatives based on non-financial assets, such as commodities derivatives
	3 § A fund company will for each special fund calculate and disclose its risk level to SFSA	Data for SFSA supervision and assessment of industry development
	The fund rules for a special fund will specify	
	a type of customer if the fund is not aimed at the public.	Special funds may be unsuitable for less solvent investors
	what parts of the law it is exempt from, and	This is now prescribed by law, not just SFSA
	what risk level is sought and which risk measurement is used.	This is usually more applicable to a special fund
	7	
Regarding any fund company operations separate from those in its own funds		
	1 § A fund company with permit to management instruments on other's behalf may, after SFSA permission, as part of operations	
	1. receive fund units for keeping, provided they are not units in funds managed by the fund company,	
	2. receive means, and	
	3. give investment advice regarding instruments.	
	Means received will immediately be separated and put in credit institute account.	
	2 § A fund company may not place investor assets in units of an investment fund or a fund business the fund company manages, unless the investor has approved of this beforehand.	
	8	
Fund mergers and splits		
33 a § After SFSA permission funds can be merged. Permit will be given if	1 § A fund company may after SFSA permission merge investment funds. Permit will be given if,	
1. the measure can be assumed to comport with unit owner interests,	1. the measure can be assumed to comport with unit owner interests,	
2. investment focus and fund rules of funds are similar, and	2. investment focus and fund rules of funds are similar, samt	
3. merger is not unsuitable from general perspective	3. merger is not unsuitable from general perspective	
After SFSA permission a fund may be split, if the measure comports with unit owner interests.	After SFSA permission a fund may be split, if the measure comports with unit owner interests.	
If request for merger or split is granted, the fund company is to immediately inform unit owners of the measure and post notices at fund company and depositary offices.	If request for merger or split is granted, the fund company is to immediately inform unit owners of the measure and post notices at fund company and depositary offices.	
The merger or split may occur no earlier than three months after SFSA giving permit.	The merger or split may occur no earlier than three months after SFSA giving permit.	
Fund reconstitution		
	2 § An investment fund cannot be reconstituted into another type of fund or company for collective investments.	This clarifies that special funds must start as special funds.
	9	
Emergency assumption of management by depositary		
33 b The management of the fund will immediately be assumed by the depositary if,	1 § The management of the fund will immediately be assumed by the depositary if,	
1. SFSA revokes the fund company's permit,	1. SFSA revokes the fund company's permit,	
2. the fund company is liquidized or	2. the fund company is liquidized or	
3. the fund company is made bankrupt	3. the fund company is made bankrupt	
If a fund company wishes to cease management of investment fund, the management is assumed by depositary.	If a fund company wishes to cease management of investment fund, the management is assumed by depositary.	
A fund company may after SFSA permission transfer management to other fund company.	A fund company may after SFSA permission transfer management to other fund company.	
Transfering may happen no earlier than three months after announcement. SFSA can allow otherwise.	Transfering may happen no earlier than three months after announcement. SFSA can allow otherwise.	
34 § A depositary that has assumed fund management from the fund company will urgently transfer management to another fund company after SFSA approval.	2 § A depositary that has assumed fund management from the fund company will urgently transfer management to another fund company after SFSA approval.	
Fund dissolution		
If the fund is dissolved all fund holdings are sold and the net remainder of the fund is shifted to fund unit owners.	If the fund is dissolved all fund holdings are sold and the net remainder of the fund is shifted to fund unit owners.	
36 § If the fund is dissolved and a share owner has not declared his ownership within five years of dissolution the right to the remainder share is voided and the remainder goes to the common inheritance fund.	3 § If the fund is dissolved and a share owner has not declared his ownership within five years of dissolution the right to the remainder share is voided and the remainder goes to the common inheritance fund.	
Public announcements of certain events		
35 § The following is to be announced in "Post- och Inrikes Tidningar" and posted openly at the fund company and depositary	4 § The following is to be announced in "Post- och Inrikes Tidningar" and posted openly at the fund company and depositary	
1. Transfering of fund management to other manager	1. Transfering of fund management to other manager	
2. Transfering of fund management to depositary	2. Transfering of fund management to depositary	
3. depositary has decided to transfer fund management or dissolve it.	3. depositary has decided to transfer fund management or dissolve it.	
The transfering party is responsible for the announcement	The transfering party is responsible for the announcement	
SFSA allows exception if there are particular reasons.	SFSA allows exception if there are particular reasons.	
Duties of managing depositary	Duties of managing depositary	
37 § If management has been assumed by new manager, the same duties that applied to the previous manager under this law applies to the new one.	5 § If management has been assumed by new manager, the same duties that applied to the previous manager under this law applies to the new one.	
A depositary may not use voting power of stocks in funds it is managing.	A depositary may not represent the shares in the fund it manages.	
38 § A depositary is entitled to proper compensation from the fund if assuming management. The size of the compensation is to be approved by SFSA.	6 § A depositary is entitled to proper compensation from the fund if assuming management. The size of the compensation is to be approved by SFSA.	

Chapters 11 & 12

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Referal to future prescriptions		
	1 § The government or a by the government appointed agency may announce prescriptions for	In 1990legislation this was not covered in the act, but instead in a separate ordinance. The 2004 act also has a special ordinance regarding SFSA authorization. See the "SFSA" sheet in this workbook.
	1. what counts for starting capital	
	2. what counts for company means	
	3. what sound operations entail	
	4. the insurance for damages liabilities	
	5. which derivatives a fund may use and on what conditions	
	6. how calculation and disclosure of a special fund's risk level is done	
	7. what information fund companies, management companis, fund businesses and depositaries will provide for agency supervision and,	
	8. fees for supervision	
	12	
Not appealable		
46 § SFSA requests for meetings with the board of directors and requests for information needed to assess whether this act applies to operations cannot be appealed.	1 § SFSA requests for meetings with the board of directors, requests for information needed to assess whether this act applies to operations and revocations of permits caused by a company no longer meeting permit conditions cannot be appealed.	
All other SFSA decisions may be appealed	All other SFSA decisions may be appealed	
SFSA decision immediacy		
43 § Revocation may be effective immediately.	SFSA may decide a prohibition, injunction or revocation is effective immediately.	SFSA is given increased authority regarding immediacy.
SFSA permit decision delays		
46 § If SFSA has not made a decision to grant or deny permits for fund operations by a Swedish company within six months, the applicant can have a court declare the delay unnecessary. If another six months pass after such declaration, the application is to be considered denied.	2 § If SFSA has not made a decision to grant or deny permits for fund or special fund operations by a Swedish company within six months, SFSA must inform an applicant why the decision is delayed, and the applicant can have a court declare the delay unnecessary. If another six months pass after such declaration, the application is to be considered denied.	SFSA is now obliged to inform applicants why their application cases are delayed.
	If SFSA has not within two months furthered a notification from a Swedish company intending to operate in EEA from a branch office to a relevant agency, SFSA must inform an applicant why the matter is delayed, and the applicant can have a court declare the delay unnecessary. If another two months pass after the declaration, the notification will be seen as unfit to further to the authorized agency	Without the notification being passed along, the authorized agency in the EEA country will not be able to clear the Swedish company.

Chapter 10

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SFSA scope of supervision and SFSA financing		
39 § Fund companies and depositaries are under SFSA supervision. They shall provide the information about operations and related circumstances as demanded by SFSA. Fund companies and fund businesses will with yearly fees finance SFSA operations as directed by the government.	1 § Fund companies, management companies, fund businesses and depositaries are under SFSA supervision. They are to give SFSA information on operations and related circumstances as demanded by SFSA. The above will finance SFSA operations with yearly fees as directed by SFSA	SFSA given authority to set its own fees, and the range of entities under its supervision is also increased.
Supervision within EEA		
	2 § After report to SFSA an authorized agency within EEA may carry out investigation of a Swedish branch office belonging to a management company.	EEA agencies may now investigate branch offices in Sweden belonging to management companies not situated in Sweden
	3 § SFSA will provide the information that an authorized agency within EEA needs for supervision of Swedish fund companies and management companies operating in an EEA country	Information that SFSA has collected regarding Swedish companies operating abroad are to be provided to fellow agencies within EEA, improving supervision.
Reporting new qualified holdings		
	4 § A direct or indirect acquisiton of fund company shares that entail that the total holdings become qualified, may only be made with SFSA permit. The same holds for an acquisition that increases a qualified holding	SFSA is authorized to receive notifications when significant change occur in the ownership of fund companies.
	1. so it amounts to or exceeds 20, 33 or 50 % of share capital or voting power for all shares, or	
	2. so that the fund company becomes a daughter company.	
	A permit will be obtained before acquisition. If the acquisition has occurred through inheritance or similarly, a permit is needed for keeping the shares. The acquirer is to then apply for permission within six months.	
Qualified holdings across EEA		
	The question of permit requires consulting authorized agency in other EEA country if acquisition under paragraph one would entail that the fund company became a daughter company to or would come under control of	This is to ensure SFSA verifies an influential owner located within EEA
	1. an in that country authorized fund company, credit institute, electronic money company or insurance company,	
	2. a mother company to a company under point 1, or	
	3. a physical or legal person controlling a company under point 1	
Approval of new qualified holder		
	5 § Permit for acquisition that provides significant influence will be given if there is reason to assume the acquirer	SFSA is given increased authority and responsibility, in order to ensure eligibility and good faith of significant holder
	1. Will not work against operation compliance with this law or other regulations for company operations, and	
	2. is otherwise suitable to exercise certain influence over the company leadership. A permit may not be given if the holder has significantly abstained from duties in business or other economic matters or has been guilty of serious criminal activity.	
	If acquisition would lead to close ties between company and another, permit can be given only if the ties would not obstruct supervision of the fund company. SFSA may prescribe a time within which an acquisition will be made. SFSA will announce its decision within three months of application.	SFSA is to verify its supevision will not be impaired.
Disposing of qualified holdings		
	6 § Whomever wishes to dispose of qualified holdings or such a part of qualified holdings that the holdings will fall below the 20, 33 or 50 % limits, will report this to SFSA.	
Company reporting duties to SFSA		
	7 § When a fund company is made aware of its shares being obtained or disposed of so that a 20, 33 or 50 % limit is passed, it will urgently report this to SFSA	SFSA is tasked with overseeing developments in significant holdings
	When a fund company is made aware of close ties with another, it is to urgently report this to SFSA.	A company is responsible for monitoring its ownership
	A fund company is to yearly provide FSFA with names of shareholders with a qualified holdings of company shares and the respective holdings.	It is also responsible for informing SFSA about its ownership
	8 § If a judicial person has qualified holdings in a fund company, the judicial person is to urgently report changes to its leadership to SFSA.	SFSA is to verify all leading officials of a company with significant influence over fund companies.
Ineligible qualified holders		
	9 § If a qualified holder of shares in a fund company works against or can be assumed to work against fund company operations following law or regulations, SFSA may decide the holder may not represent the shares at shareholder meetings above the qualification limit.	
	Same holds if the holder has significantly abstained from duties in business or other economic matters or has been guilty of serious criminal activity.	
	If a qualified holder has not applied for permission for acquisition under 4 §, SFSA may decide that the owner may not represent the shares at shareholder meetings to the degree they are covered by permission requirement.	
	10 § SFSA may injunction against an owner to dispose of shares until the ownership is no longer qualified, or until the ownership is not in violation of any SFSA rules.	An injunction can be combined with a penalty, giving some power to SFSA
	11 § Shares covered by prohibition or injunction are not counted when consent by the owner is required for a decision to pass, unless they are managed by another party	Shares owned by an ineligible holder cannot have power in shareholder meetings
	12 § If there is sufficient cause, SFSA may demand that a County Court orders a suitable person to represent shares. The application is tried by the County Court in the owner's home town, and the other party is compensated by the share owner.	
Ineligible parties with close ties		
	13 § If a fund company has close ties with another party and it obstructs effective supervision of the company, SFSA may issue injunction of disposal of the share holdings to an extent that removes the obstruction.	SFSA may pressure parties with close ties to lower their ownership in a fund company
	SFSA may decide that party injunctioned as above may not represent at shareholder meetings.	This authorizes SFSA to prevent undue influence on fund companies
General SFSA supervision objectives		
40 § SFSA is to ensure that sound developments of operations is encouraged by its supervision.	14 § SFSA will in supervision ensure that sound development of operations is encouraged. It may carry out investigation of fund company or depositary if it considers it necessary	
SFSA meetings with fund company board of directors		
41 § SFSA may call for a meeting with the board of directors of a fund company.	15 § SFSA may call for a meeting with the board of directors of a fund company.	SFSA is authorized for investigations.
SFSA auditor		
42 § SFSA shall appoint an auditor for each fund company, to participate in company auditing. SFSA may at any time revoke the appointment, and appoint a new auditor.	16 § SFSA may appoint an auditor for each fund company, to participate in company auditing. SFSA may at any time revoke the appointment, and appoint a new auditor.	SFSA now no longer had to appoint an auditor for every fund company
The appointed auditor has a right to due compensation from the fund company for the work. This compensation is specified by SFSA.	The appointed auditor has a right to due compensation from the fund company for the work. This compensation is specified by SFSA.	
Auditor responsibilities		
6 a §	17 § An auditor will immediately report to SFSA if becoming aware of conditions that may	
1. constitute a significant violation of regulatory codes for the fund company's operations	1. constitute a significant violation of regulatory codes for the fund company's operations	
2. affect its future operations negatively, or	2. affect its future operations negatively, or	
3. lead to the auditor opposing affirmation of balance sheet or income statement or an official criticism.	3. lead to the auditor opposing affirmation of balance sheet or income statement or an official criticism.	
The auditor has corresponding duty to report if becoming aware of conditions on first paragraph in the course of assignment at mother company, daughter company or any company the und company has equivalent ties with.	The auditor has corresponding duty to report if becoming aware of conditions on first paragraph in the course of assignment at mother company, daughter company or any company the und company has equivalent ties with.	
Special investigator		
6 b § What is said of auditor obligations also holds for a special investigator appointed for a fund company	18 § What is said of auditor obligations also holds for a special investigator appointed for a fund company	A special investigator is appointed by shareholders at a shareholder meeting
Ineligible decisions		
	19 § If a fund company has made a decision that violates this or other binding law, any regulatory code for its operations, authorized by law, its fund rules or its articles of association, SFSA may prohibit the execution of the decision. If the decision has been made SFSA may injunction the company to correct the decision, if possible.	Decisions can now be demanded undone by SFSA
Grounds for revocation of permit		
43 § SFSA is to revoke operations permit or permit for national fund operations if ,	20 § Any permit given to a fund company under this law is to be revoked by SFSA if the fund company	
	1. does not commence operations as permitted within a year of given the permit,	There are now additional grounds for revocation of permit
	2. has declined the permit,	
	3. has for six consecutive months not conducted operations as permitted,	
	4. received the permit by giving false information or other inappropriate actions	
	5. no longer meets conditions for the permit, or	
the fund company or other party shows unsuitability to practice by violating this law or otherwise, or	6. violates this law, any regulatory codes for its operations authorized by law, its fund rules or its articles of association or otherwise shows unsuitability for permitted operations	A company is now directly and clearly culpable for violating its fund rules and aricles of association as well
the fund company has lost a third of its own means and the shortfall is not covered within three months of this becoming known	If fund company means fall below prescribed limits SFSA may injunction the company to make corrections or cease operations within three months	SFSA can now injunction a company to return to required capital strength
Ineligible person in leadership		
	If a person in fund company leadership does not meet requirements of the law, the company's permit may be revoked as a result if the person is still present in leadership three months after SFSA has officially criticized the person's inclusion in leadership.	This addition to law makes SFSA responsible for warning fund companies with unsuitable CEOs, board members or leading officials.
Warning		
Where a fund company or special fund operator has vioalted the law or shown unsuitability, SFSA may instead issue a warning if it is deemed sufficient.	21 § A warning may instead be given if a company does not commence operations within a year of being given the permit, has not conducted operations for six months or	A warning can now be given instead where a company has not operated according to permit.
	has violated this law, fund rules, articles of association or regulation as well as shown unsuitability for operations	
Informing other agencies in countries where a Swedish company operates		
43 a § SFSA is to inform relevant authorities in EEA countries if a fund company operating in their country has its	22 § SFSA is to immediately notify authorized agencies in other EEA countries in which a Swedish fund company offers its fund units if,	
permit revoked, is warned or	1. any decision is declared ineligible, any measure is taken against a company on grounds for revocation of permit or any warning is given	
the company must delay unit redemption due to risk of disadvantaging other unit owners	2. the company must delay unit redemption due to risk of disadvantaging other unit owners	
Measures against Swedish fund companies violating regulation abroad		
	23 § If SFSA by an authorized agency in other EEA country is informed of a Swedish fund company violating regulatory codes effective in that country, SFSA may take measures as in 19-21 §§ where applicable. SFSA is to notify the authorized agency of the measures taken.	SFSA is to take responsibility for Swedish companies, but can only take measures if Swedish law and regulation has been violated.
Measures against EEA management companies operating from branch office in Sweden		
	24 § If an EEA-seated management company operating in Sweden after notification and agency verification violates this law, regulatory codes authorized by this law, or otherwise shows unsuitability for operations, SFSA may issue injunction to make corrections.	
	If the management company does not comply, SFSA will notify authorized agency in the company's home country, and SFSA may prohibit the management company from further transactions in Sweden, after notifying authorized agency in the company's home country.	Agencies in EEA notify one another when a company shows unsuitability
	In urgent cases the SFSA may prohibit further transactions without notifying the agency, instead notifying it AND the European Commission as soon as possible. The commission can in that case make SFSA remove the prohibition.	If SFSA takes this aggressive measure, it may be overruled by the European Commission later
	25 § If an EEA-seated management company operating in Sweden after notification and agency verification has its operations permit revoked in its home country, SFSA will prohibit company from new transactions in Sweden.	Due to EEA and UCITS standards, revocation of permit in one country invalidates operation eligibility abroad
Measures taken against foreign fund businesses		
44 b § If EEA-seated foreign fund business with permit violates this law or shows unsuitability SFSA may demand that corrections are made on pain of prohibiting any new operations in Sweden. The prohibition can be effective immediately. The measure is to be reported to an authorized agency in the business' home country	26 § If a fund business selling and redeeming units in Sweden after notifying SFSA by violates this law or otherwise shows unsuitability for operations, SFSA may injunction it to make corrections. If the corrections are not made, SFSA can prohibit the business from new transactions in Sweden. Any measure taken is to be reported to an authorized agency in the business' home country.	The injunction can be combined with a penalty.
44 a § If a non-EEA foreign fund business with permit violates this law or shows unsuitability for operations, the permit can be revoked or a warning can be given. Revocation can be effective immediately. Either measure is to be reported to an authorized agency in the business' home country.	27 § If a non-EEA management company or fund business violates this law or otherwise shows unsuitability for operations, SFSA may give a warning, an injunction or revoke the permit. It is to report any such measure to an authorized agency in the home country.	SFSA is provided with injunction power here as well.
Operations without permit or application		
44 § If operations covered by the law are conducted without SFSA permit or without any due application, SFSA will immediately demand ceasing of operations.	28 § If operations covered by the law are conducted without SFSA permit or without any due application, SFSA will issue injunction for ceasing of operations.	
The SFSA is to demand sufficient information if it is not evident that the law applies to operations.	The SFSA is to injunction for sufficient information from the conductor of operations if it is not evident that the law applies to operations.	An injunction can be combined with a penalty.
The above can be done against foreign fund businesses or a company contracted by a foreign fund business.	The above can be done against foreign fund businesses or a company contracted by a foreign fund business.	

Appendix, descriptive summary of SFSA regulation

Contents

Sheet name	Main topic and subtopics		Documents included in sheet	Document becomes effective
IB	Prescriptions for information brochures		FFFS 1997:11	1997 May 1
			FFFS 2004:2	2004 April 1
Ap	Prescriptions for permit applications		FFFS 1994:13	1994 February 15
			FFFS 1997:11	1997 May 1
			FFFS 1997:18	1998 January 1
			FFFS 2004:2	2004 April 1
FS	Prescriptions for fact sheets		FFFS 2004:02	2004 April 1
			FFFS 2005:14	2006 January 1
Reports	Prescriptions for all periodic reports to be set up by fund companies under its supervision		FFFS 1997:11	1997 May 1
	Annual report		FFFS 2002:20	2003 January 1
	AR, fund holdings		FFFS 2004:2	2004 April 1
	Derivatives holdings			
	AR, Changes to holdings			
	AR, Fund development			
	Half-yearly report			
	Management report			
QR	Prescriptions for quarterly reports to SFSA		FFFS 1998:10	1998 June 30
	Securities fund quarterly reports		FFFS 2000:20	2000 December 31
	Quarterly summary of securities		FFFS 2001:17	2002 January 1
	Quarterly summary of derivatives		FFFS 2001:18	2002 January 1
	Special fund monthly risk report		FFFS 2004:2	2004 April 1
			FFFS 2004:12	2004 November 1
			FFFS 2006:3	2006 July 1
GL	Guidelines for company operations, which became incorporated in the 2004:2 prescriptions, thereby becoming regulations rather than guidelines		FFFS 1996:25 (GENERAL GUIDELINES)	1997 January 1
	Complaints handling		FFFS 1998:22 (GENERAL GUIDELINES)	1999 January 1
	Ethics		FFFS 1998:7 (GENERAL GUIDELINES)	1999 June 1
	Employee's personal matters		FFFS 1999:12	1999 October 21
	Internal governance and control			
FR	Prescriptions for fund rules		FFFS 1997:11	1997 May 1
			FFFS 2004:02	2004 April 1
			FFFS 2005:14	2006 January 1
Derivatives	Prescriptions for derivatives trading		FFFS 1997:11	1997 May 1
			FFFS 2004:2	2004 April 1

Information brochures

Investment brochure	
FFFS 1997:11 1997 May 1	**FFFS 2004:2 2004 April 1** As the fund rules include many information posts, it could be seen as redundant to prescribe again that the information brochure had to include the information again.
[IB, Fund rules] The fund rules are to be included in the information brochure	[IB, Fund rules] The fund rules are to be included in the information brochure
	Added [IB, General risk information] All information not covered in the fund rules that are needed to understand the fund and its associated risk.
[IB Vitals]	[IB Vitals]
fund company designation, postal address,	Removed
the designation and address of the depositary	Removed
fund designation and any information on additional funds managed by the fund company;	Fund name retained
equity of the fund company including information on significant holders;	Removed
the judicial status of the fund and its shares;	Removed
the date on which the permit for fund operations was issued;	Removed
the name of board members and their main activities; names of CEO, vice CEO and other leading officials as well as their main activities outside of the fund company if significant for company operations;	Removed
name and address of companies or external counselors with which the fund company has entered agreement, with listing of all agreement conditions that may be of interest to fund share owners excluding compensation conditions as well as other activities of the other party;	Removed, made into separate category: [IB, Contracts] Whether the company has contracted another for certain work or functions and the identity of any contractors.
name and address of the auditors of the fund company and the fund as well as their other activities when relevant;	Removed
[IB registry] who keeps the unit owner registry; a closer description of the principles of selling and redemption of units; whether there are limitations of the possibility to in the fund company limit buying and redemption orders regarding fund units; information about where annual and half-yearly reports are found	No change
[IB sales and redemption fees] the largest fee the fund company may charge upon sale and redemption of fund units as a percentage of fund unit value; the current fee charged upon sale and redemption of shares as a percentage of fund unit value	No change
[IB management fees] information about the highest fee the fund company may charge to cover management and storage expenses as a yearly percentage of fund value; the current fee charged to cover managing and storage expense as a yearly percentage of fund value	No change
[IB fee history]the fees charged by the fund company and depositary the previous year (a referral to the annual report may serve)	Removed
[IB earnings history] fund results and development for the last three operating years (a referral to the annual report may serve)	Removed
[IB derivatives] information detailing to which degree and with what focus the fund will trade in derivatives, disclosing risks such placements can entail and if the intended trade has the purpose of making management more efficient or to protect fund holdings from exchange rate loss or other losses	No change
[IB securities loans] to which extent the fund will give or receive securities loans, practice short selling and enter swap agreements	Removed
[IB taxes] information about major tax regulations for the fund and the fund share owners;	Removed
[IB Dissolution or transfering of fund] information about under which conditions the fund will cease to exist or be relinquished as well as how and when share owners would be informed in such a case	No change
[IB other costs] information as to all other costs or fees that may appear and what they concern, if costs are designated 'courtage' but – except for compensation for executing the business transaction – also include compensation for other services such as advising, analysis etc. (soft commission) this will be particularly noted.	Removed
[IB changes] The brochure is to be reworked as soon as any changes of non-insubstantial meaning to the fund and the fund share owners occur and then provided to SFSA	No change
	Added: [IB risk profile] a detailed description of all risks to fund value that result from the placement strategy.
	Added: [IB unit trade limitations] Whether the fund company reserves a right to limit unit sales or redemption in any way.
	Added: [IB, Contracts] Whether the company has contracted another for certain work or functions and the identity of any contractors.
	Added: [IB, fund status] A clear statement whether or not the fund is an UCITS or a special fund
[IB, Annual and half-yearly reports] Information on where they can be obtained	Changed: [IB, Annual and half-yearly reports] Now to be included in the information brochure
	Added: [IB, Volatility notice] If the value of the fund is liable to change severely due tot he management methods and instrument categories used.
	Added: [IB, list of important issuers] If the fund has been permitted to invest in bonds for more than 35 % of fund value, all bond issuers are to be listed

Applications for permits

[Applications]			
		FFFS 1997:11 1997 May 1	**FFFS 2004:2 2004 April 1**
		[Equity size] Equity of a fund company is to be at least 1 000 000 SEK.	[Equity size] Set to 125 000 euros.
			Added: [Fixed costs] This section will at least detail personnel, property, premises and equipment costs, together with depreciation and the payments for delegated operations.
			Added: [Ap, Application type] An application is now to specify which permit(s) is/are applied for: fund operations; management of instruments on other's behalf and taking contrats from fund companies, depositaries or fund businesses.
		[Ap, Derivatives] If derivatives are to be included in the fund	Removed
		The applicant's particular competence in the area is to be disclosed.	
		Which markets derivatives trade will take place in	
		The clearing organization which will clear the transactions	
		[Ap, Trade in foreign countries] If trade will be conducted in foreign markets	Removed
		Designation of markets	
		The organization of the foreign market and	
		The security demands imposed by the clearing organization are to be provided.	
		[Ap, General risks] Routines for risk assessment, valuation and decided risk limits are described.	
			Added: a description of how governance and internal control of risks is maintained, with a list of the main risks associated with operations and how they are addressed. A person responsible for the risk control systems and routines is to be designated.
		[Ap, Fund rules] New or changed fund rules provided in quadruplicate with changes marked. Designation of board meeting that changed the fund rules. Information brochure attached if changed.	No change
			Added: [Ap, Finances]: a prediction of fixed costs for the first year and a prognosis regarding financing for the next three years.
			Added: [Ap, IT and security] reports on the information and IT systems and their organization, functions and usage. Informational and physical security measures are to be outlined together with functions for confidentiality protection.
			Added: [Ap, Conflicts of interest] Any conflicts of interest that have been identified are to be disclosed.
			Added: [Ap, Administration] An overview of administrative processes is to be included, with a description of how transactions are handled and how it is ensured that the work of one officer is independently controlled by another (the duality principle).
			Added: [Ap, Specified officers] The following are now to be separately listed whether they are also included in the list of officials or not: Compliance officer; Officer responsible for independent review; External auditor; Complaints officer
			Added: [Ap, Ethics] The [Ethics guidelines] of the applicant are to be prepared and included.
			Added: [Ap, Employeess personal matters] The guidelines for employees' personal matters are to be included
			Added: [Ap, Reporting of significant events] The guidelines for reporting significant events are to be included
			Added: [Ap, Registration of unit owners] Who is responsible for the registration of unit owners. In addition, the technical system used is to be described.
			Added: [Ap, Asset management]: An applicant that will receive and deposit assets as part of operations is to describe how the assets are kept separate and deposited in an account at a credit institution.
			Added: [Ap, Investment advice]: An applicant that will provide investment advice as part of operations will include a description of company guidelines for advising.
			Added: [Ap, customer categories] Which categories of customer that will be catered to;
			Added: [Ap, copy of insurance]
		[Ap, Contracting] If applicant has contracted or intends to contract some part of operations to another company	No change
		A complete account of the nature and extent of the contracts as well as the reasons for contracting are to be included.	
		Any other significant operations undertaken by the contractor	
		A copy of the contracting agreement.	
			Added: [Ap, Contractor knowledge] The knowledge and competence of the contractor with respect to the contracted operations is to be outlined
			Added: [Ap, Potential conflicts] any circumstances that could cause a conflict of interests between the contractor and the principal or the unit owners will be described.
			Added: [Ap, Legal status of the contractor]
	[Documentation]	Company proof of registration no more than two months old	A proof of company registration no more than two months old, disclosing an equity size of 125 000 euros or greater
		A copy of the articles of association	A copy of the articles of association, now to identify which operations will be conducted
		A protocol from the mass meeting that affirmed the articles of association	No change
		Quadruplicate of fund rules for every securities fund intended to be managed	No change
		An information brochure draft.	No change
		Designation of the board meeting that affirmed fund rules.	No change
			Added: Board meeting protocol showing the board's approval of application
			Added: Copies of any contracting agreements
			Added: Simplified prospectus (or fact sheet) for every fund
			If the applicant is a securities or credit institute intending to also conduct fund operations, an account of how operations will be held separate but coordinated with existing activities.
	[External and internal persons of significance]		
		[Ap, Qualified holders]	No change
		A description of company ownership structure.	
		Name and ownership percentage for every owner holding 10 % of voting power or total number of shares	
		Any qualified holder's engagement with other fund company or institute under SFSA supervision is to be reported.	
		[Corporate group] If the fund company is part of a corporate group	
		The ownership conditions of the group are to be described.	No change
			Added: a designation of all links in any chain of ownership and a diagram of the ownership structure in the corporate group.
		[Ap, Board of directors]	No change
		Names of members with the chairman designated.	
		Any additional commitments or ownership interests in institutes within the financial sector or any limited company	
			Added: board members' educational backgrounds and previous experience concerning financial operations
		[Ap, Officials]	No change
		Designation of CEO, deputy CEO and other leading officials	
		Officials' educational backgrounds and previous experience concerning financial operations	
		Their commitments or ownership interests in the financial sector or stock market companies.	
		[Ap, Responsibilities]	
		The number of employees as assigned to different functions	
		A review of responsibility allocation regarding management, accounting, and internal control and auditing.	
		Names of auditors	
			Added: A diagram of all bodies set up by the board, with number of employees active in each and a description of the activities and functions they perform.
	[Application for mergers and splits]	[Ap, Fund mergers] Fund rules for the resulting fund attached in quadruplicate, together with information brochure draft. Designation of board meeting affirming merger	No change
		[Ap, Fund split] Fund rules for the resulting funds attached in quadruplicate, together with information brochure drafts. Designation of board meeting affirming split	No change
	[Ap, specifically regarding managing of others' instruments]		Any applicant to the SFSA that intended to provide management services for the the instruments of others' were to provide verification that they were aware of the responsibilities below and had capacity to meet them
			[Ap, Instructions for management conflicts of interests] Copy of the instructions that provide guidance in situations where the management of instruments on behalf of another involves such a conflict.
			[Ap, Insurance] A company managing the financial instruments of others is to have insurance for damages the company may incur during financial management and when providing financial services.
			The copy of the insurance is to disclose:
			The compensation figure per damage occasion
			The maximum compensation figure that can be incurred per damage occasion and the maximum compensation figure that can be incurred in a year.
			A clause that allows the injured party to direct demands for compensation to the insurance provider if said party is not fully compensated by the fund company
			The insurance must:
			be possible to plead in Swedish court
			be valid for damages caused during the effectiveness period of the insurance
			pay out directly to the injured party without deduction for excess
			include a posterior cover for damages not covered by other insurance but reported to the insurance provider within two years of the insurance expiration
			[Ap, Customer assessment] Before entering an agreement with a customer it is to document the following regardin the customer. All information is to be accurate and adapted to customer needs.
			Risk profile
			Investment horizon
			Investment restrictions
			[Ap, Information on Risks] All risks associated with financial instruments and the management service are to be explained to the customer before entering agreement.
			[Ap, Company information] To be provided when entering agreement with a customer
			The name, address, telephone number and email address of the company
			The name of any corporate group including the company
			The existence of potential conflicts of interests between company and customer and how these are handled by the company
			Whether customers are covered by the investor protection
			How complaints and compensation claims from customers are handled
			That the company is under SFSA supervision.
			[Ap, Investment advice] Any investment advice regarding asset types to a customer is to be documented according to company guidelines and provided to the customer if later demanded.
			[Ap, Nature of advice] The advising will have the character of a personal recommendation based on company information on the economic situation, experience of the securities market and the investment purpose of the customer.
			[Ap, Account information] A company receiving units for keeping are to regularly provide the customer with account statements disclosing customer holdings of fund units, unless otherwise has been agreed with the customer.
			[Ap, Price and fee information] Before a company carries out a management service on behalf of a customer the company is to give information on current prices and fees to the customer.
	[Applications for national/special fund operations]	**FFFS 1997:11 1997 May 1** Application should where applicable follow [Application for fund operations]. Application must clarify exactly how the applicant wishes to be exempt from the statutes of SFS (1990:1116).]	Application must clarify exactly how the applicant wishes to be exempt from the statutes of SFS (2004:46) and FFFS 2004:2.
		FFFS 1997:18 1998 January 1 SFSA could now allow exemption from SFS (1990:1114) AND FFFS (1997:11)	
	[Swedish company establishing branch office in EEA]		FFFS 2004:2 is to notify SFSA prior to starting branch office operations. The required information is limited to basic vitals such as address and how liquidity is ensured.
[Application for fund operations, applicants from EEA]			
		FFFS 1994:13 1994 February 15 (SFS 1992:1230) A foreign fund businesses is to notify SFSA of intent to commence fund operations in Sweden. Any company seated in the EEA now had to be actively denied permission to operate by the SFSA within two months of notification, or else consider itself approved.	Covered by law as of 2004 April 1, see SFS 2004:46
		[Documentation]:	
		Fund operations certificate issued by authorized agency in the home country	
		Certificate from authorized agency showing UCITS 85/611 compliance	
		Fund rules and any articles of association	
		Fund company informational brochure or corresponding	
		The latest annual and half-yearly financial reports	
		Routines for selling and redemption of fund units.	
		[Contracting of unit transactions] If selling and redemption of units is to be carried out by other than the fund company	
		A copy of the contract.	
		[Branch office] If any operations are to be carried out by branch office	
		Branch designation and address in Sweden	
		Branch's leading officer and review of the office's planned operations.	
[Application for fund operations, non-EEA applicants]			
		FFFS 1997:11 1997 May 1 Application should where applicable follow [Application for fund operations], together with:	Covered by law as of 2004 April 1, see SFS 2004:46
		A review of the conditions under which the fund business operates in the home country,	
		A copy of an authorized agency's permit to practice fund operations in the home country.	

Fact sheets

Fact sheet	
FFFS 2004:02 2004 April 1	**FFFS 2005:14 2006 January 1**
[FS Fund information] A short presentation of the fund and the company operating it: - When the fund was formed. – Where the company is seated and when it was given approval for fund operations. – The depositary of the fund – The company auditors.	Added: Whether the company is managing the financial instruments of another
[FS customer targets] a description of the target group.	No change
[FS goals and objectives] The fact sheet is to provide information on the investment strategy of the fund. In this information the following will be given.	No change
A description of the goal pursued by the fund in its placements.	
any guarantees that have been made by a third party to protect share owners from losses, and limitations to these guarantees.	
Whether the fund goal is the following or exceeding of one or more comparative indices.	
Which assets the fund may make placements in.	
Whether the fund intends to invest in a certain geographical area, a certain industry or the like.	
Whether the management strategy of the fund entails a high turnover of fund assets.	
If the fund invests in bonds it will be stated if they are company or government bonds, their duration and credit ratings.	
if the fund trades in derivatives information will be given on whether this occurs for the sake of improving efficiency or if the fund may make placements in the instruments.	
[FS Indices] Any index or indices the fund intends to follow or exceed are to be identifiable for a reader. Additionally the allowed deviations from the indices are to be provided.	Added: [FS, index identification] whether the fund has a goal to imitate an index or several indices and, sufficient information shall be provided in order for the unit holders to be able to identify the index or indices in question and understand the degree or extent to which the fund may deviate from the index;
	whether the fund's management model is based on any comparison value other than the index in subsection 3 and whether any specific strategy is used to achieve this goal
	No change
[FS risk information] It will be stated that an investment may increase or decrease in value and that a unit owner may see returned a smaller capital than what was invested. A concise and easily understood description of the specific risks associated with the placement strategies of the fund. A reference to the information brochure for a more detailed description of the fund risks that exist as a result of placement strategies.	Added [FS, specific risk examples]
	– the risk that the entire market for a type of asset will decline and that the price and value of the asset will thereby be affected (market risk);
	– the risk that an issuer or counterparty will suspend payments (credit risk);
	– the risk that a position cannot be settled in due time at a reasonable price (liquidity risk);
	– the risk that the value of an investment may be affected by changed exchange rates (rate risk or currency risk);
	– risks associated with concentrations of assets or markets.
[FS Returns history] Historic returns will be reviewed in the form of a bar chart showing fund returns for the last ten calendar years or as many years as are available if the fund is newer. Returns are after deduction for taxes and fees with exception for fees taken for sales and redemption. This will be clearly explained and it will be stated whether fees for sales and redemption exist.	No change
[FS index and performance-based fee] Whether a fund is managed in accordance with a comparative index or benchmark. If the fund has a performance-based fee based on a comparative index, fund performance compared with the index will be supplied. The comparison may be made by showing comparative index performance in the same bar chart that shows fund performance. Reviewing can also be done separately.	No change
[FS Customer warning] The fact sheet is to inform that historic returns do not constitute a guarantee for future returns.	No change
[FS Returns history over periods] The fact sheet is to present a calculation of the average annual returns of the fund for at least one period of three and five years, respectively.	Changed: The simplified prospectus shall contain a calculation of the fund's average annual yield for at least a period of three, five and ten years. Where a comparison object (benchmark) is used in conjunction with the management of the fund or where the management fees include a performance-based payment which is based on a comparison object, information regarding the fund's average annual yield shall be compared with the average annual yield of the comparison object.
[FS tax information] The fact sheet is to include information on rules for fund taxation that include concise coverage of relevant tax law. The fact sheet is also to inform that the tax of a unit owner may be influenced by individual circumstances and that investors that are unsure on potential tax consequences should seek help from experts.	No change
[FS Fees and costs]Information on "TER", total costs relative to average fund wealth, with exception for newly formed funds where "TER' cannot yet be calculated. – Information on costs not included in "TER' but which burden the fund. – A review of [sales and redemption fees] and all other costs paid directly by the investor and – a reference to any agreements for allocation of fees.	No change
[FS turnover] To further clarify the significance of transaction costs information on turnover rates in the fund is to be supplied.	No change
[FS dividends] The fact sheet will disclose when and how the fund pays returns.	No change
[FS unit information] a disclosure of when and how often fund share value is made public	No change
[FS unit procedure]how sales and redemption of fund shares is carried out.	No change
[FS additional information sources]The fact sheet is also to provide the following: - that information brochures, annual reports and semiannual reports can be obtained on demand before and after the investor buys fund shares. – That SFSA carries out supervision of the fund and the company that manages the fund. – Information on where and when additional information can be obtained. – The fund company complaints officer and – The publication date of the fact sheet.	No change
[FS, Annual and half-yearly reports] Now included in the fact sheet	No change
[FS, Volatility notice] If the value of the fund is liable to change severely due tot he management methods and instrument categories used.	No change
[FS, list of important issuers] If the fund has been permitted to invest in bonds for more than 35 % of fund value, all bond issuers are to be listed	No change

Reports

Annual report			
[Annual report]	**FFFS 1997:11 1997 May 1**	**FFFS 2002:20 2003 January 1**	**FFFS 2004:2 2004 April 1**
		Added: [Asset valuations] When calculating market value, these methods will be used in order:	No change
		1. if the instrument is traded on an active market, use the last transaction price on the accounting day	
		2. if the instrument is not traded on active market; use the transaction prices from similar transactions in regular market circumstances in the near period	
		3. if no other method is accurate, use a valuation model that is established on the market of the asset.	
	[AR, balance sheet]	No change	No change
	[AR, income statement]	No change	No change
[AR, fund holdings]	[AR, fund holdings], with notated market values, allocated to a) securities and other financial instruments listed in Swedish or foreign stock exchange, b) securities and other financial instruments listed in an authorized marketplace, c) securities and other financial instruments subject to regular trade in any regulated market open to the public, d) securities and other instruments that within a year of offering are intended as subject to regular trade in any of the above types of venues and e) other securities and financial instruments.	No change	No change
	The listing is to be based on the fund's investment objectives with respect to geographical area, industry or other characteristic.		
	The listing is to for each category inform how much of fund total holdings are included in it		
[Derivatives holdings]	[Derivatives holdings] to what extent and in what way the fund company has traded in options, futures or similar financial instruments.	No change	No change
	If the fund has permit to trade in said instruments but has not acted on the possibility, this will be stated in the annual report.		
	Options and futures held and issued by the fund with standardized and non-standardized instruments separated. Securities loans of the fund with ongoing and outgoing loans separated.		
[AR, Changes to holdings]	[AR, Changes to holdings] A general review of changes regarding fund holdings of securities and other financial instruments under the fiscal year.	No change	No change
[AR, Fund development]	[AR, Fund development] The annual report shall contain a review of fund development under the fiscal year, with information on:	No change	No change
	acquired dividends		
	value changes of equity-related financial instruments		
	interest		
	value changes of interest-bearing financial instruments		
	bank interest		
	currency yields/losses from currency account		
	other earnings; fees (compensation) to the fund company		
	fees (compensation) to the depositary		
	the total storage cost (in kronor) charged during the year for a specified exemplary holding of shares held under the entire fiscal year		
	interest costs; other costs (to be specified in notes)		
	taxes		
	fund results and specification of changes in the fund holdings.		
	[Historic comparison] The annual report is to include a comparison of fund value and fund unit value at the end of the fiscal year for the last three fiscal years.	Changed [Historic comparison] For the past five years, by year: - holdings, - unit value, - returns per unit, - total returns in percent and - development under the same year for relevant comparative index, in percent	No change
		Added [Simplified fund development] Holdings at beginning of year Unit selling Unit redemption Income statement yearly result Received accruals from selling Paid accruals from redemption Paid returns Holdings end of year	No change
Half-yearly report			
[Half-yearly report]	**FFFS 1997:11 1997 May 1** The half-yearly report is to "clearly review fund operations and developments for the accounting period".	**FFFS 2002:20 2003 January 1** No change	**FFFS 2004:2 2004 April 1** No change
	[HR, fund holdings] for the past half year		
	[HR, derivatives holdings] for the past half year		
	[HR, changes to holdings] for the past half year		
Management report			
[Management report]	**FFFS 1997:11 1997 May 1** To be contained in the annual report. No outlining of contents.	**FFFS 2002:20 2003 January 1** now outlined extensively with regard to content, detailing how the fund wealth had developed regarding savings and returns.	**FFFS 2004:2 2004 April 1** No change
		Added: [MR-Changes]	No change
		Currency exchange rate changes were to be commented if they had had a significant effect on fund value	
		Any change in the investment focus	
		Any change in the comparative index	
		Personnel changes or organization changes	
		Considered key indicators for value development, risk, costs and turnover were now to be included in the management report	
		Added: [MR-Review of total management costs]	No change
		A complete disclosure of management costs for the year, expressed as if for a person holding units for a value of 10000 kronor. These units were to be assumed as held throughout the year with any dividends reinvested in new units.	
		Added: [MR-Transactions within corporate group]	No change
		A management report was now to inform on the collective value of buying and selling of instruments only involving securities companies within the fund company's corporate group, as a percent of a fund's total turnover.	
		Added: [MR-Derivatives] The trade with derivatives was also to be covered regarding scope and approach.	No change

Derivatives

Derivatives	
FFFS 1997:11 1997 May 1	**FFFS 2004:2 2004 April 1** -Added [Leverage] Trading with the intent of creating leverage is now forbidden rather than prevented by many various constraints spread throughout the regulation -Derivative positions are to be converted into a position in the underlying asset, with customary delta calculations employed for options. After SFSA approval a Value-at-Risk exposure calculation could be used.
[Clearing] trade to be subject to a clearing organization supervised by an agency or other authorized entity	Removed
[Counterparts] Derivatives trade with securities institute requires that the institute can enter such agreements and that the derivatives contracts are customary for the market. Agreement to trade may be formed with foreign financial institute if the institute may enter such agreements; is under supervision of an agency or other authorized body and is established on the market. The conditions of contracts are to be customary for the market.	No change
[Call options in third company] A fund company may on behalf of a fund obtain call options a second company offers concerning shares in a third company if: the shares of both the other companies are listed on stock exchanges or authorized marketplaces in EU and EFTA countries as well as Australia, Hong Kong, Japan, Canada, Singapore and the US; the fund is by law and fund rules permitted to own the shares the call option concerns and the call option is listed in a stock exchange or authorized marketplace in the aforementioned countries.	Removed [Call options in third company]
[Non-financial derivatives] A fund company may not on behalf of a fund trade in options and futures apart from those of a financial character. That is, the underlying asset will consist of securities or securities-related indices. This limitation stands for all financial instruments.	Removed
[Currency instruments] A fund company may, with the purpose of protecting fund assets from currency rate risks, trade in currency futures and options as well as other similar financial currency instruments. This must be in agreement with the placement objectives outlined in the fund rules	Removed the purpose of protecting fund assets from currency rate risks as a condition for currency instruments use
[Limits to derivatives trade] A fund company may not on behalf of a fund through the use of derivatives make placements that in actuality mean a violation of law. A fund company may not on behalf of a fund issue put options, own call options or buy futures to such extent that legislated placement limitations regarding said security may be violated upon option exercise or contracted security delivery.	Added [Leverage] The codes now clarified that gross exposure in derivatives could amount to at most 100 % of fund holdings, which does not constitute leverage.
[Netting] Netting may occur inasmuch that issued put options, owned call options and/or futures buying contracts referring to a certain security may be netted against owned put options, issued call options and/or futures selling contracts referring to the same security. Spot purchases may not be used for netting	Removed
[Derivatives out of liquidity] If a fund does not have liquidity to obtain a certain security, it may not buy futures, issue put options or purchase call options referring to said security. The fund may buy interest-bearing futures contracts even out of liquidity, provided that the fund among its assets has other interest-bearing securities that come to payment within a month of buying the futures contract and that the interest-bearing securities of the futures contract will be delivered after the other interest bearing securities come to payment.	No change to [Derivatives out of liquidity]
[Delivery capacity] A fund may not enter agreement to issue call options referring to a security or sell a security as a futures contract to a greater extent than what corresponds to actual fund holdings of the security. Delivery capacity by holding of said securities must be maintained throughout the agreement period. What is decreed in the first section does not apply to synthetic financial instruments. A synthetic instrument is here referring to an option that does not have an existing financial instrument as an underlying basis for its value.	No change
	Added [Derivatives settled in cash] If the derivative is instead settled in cash and cannot lead to delivery of the underlying asset the fund, in addition to the corresponding underlying asset, may hold equivalent assets. A condition is that these assets are held for the entire agreement period of the derivative contract. By equivalent is meant assets that have a high correlation with the underlying asset of the derivative.
[Swaps] A fund company may on behalf of a fund only enter swap agreements referable to assets that are included in the fund during the entire agreement period and are eligible according to the fund rules.	Removed
[Maximum fund activity in derivatives] The highest figure a fund may set aside for buying options and for fees for securities loans is at most 10 % of fund holdings. The highest total security limit a fund may not exceed cause of trade in options, futures or other categories of financial instruments is at most 20 % of fund holdings. SFSA grants exceptions to this.	Removed
[Loaning out of securities] A fund may not loan out securities to an extent that exceeds 50 % of fund holdings.	[Loaning out of securities] A fund may not extend securities loans amounting to more than 20 % of fund holdings
[Conditions for loaning out of securities] Securities loans from a fund may be extended only against security and on conditions customary for the market.	No change
[Exposure to single issuer] Fund ownership of securities from one issuer including securities to and from the same issuer may never exceed the limitations in. Securities issued by and securities loaned from the same issuer are to be added together.	[Exposure to single issuer] Derivatives, such as held call options or issued put options, are to be recalculated into an underlying exposed value. Issued call options or held put options cannot be counted as reducing exposure to an issuer.
	Added [Calculation of exposure]: In order to facilitate the adherence to the leverage rule, the codes now require all derivative positions to be converted into a comparable position in the underlying holdings, e.g. an option is calculated based on the contracted amount. Currency exposure is not added to the calculated exposure of derivatives. The forbidding of leverage means that trade with derivatives may not lead to the fund holding negative exposure in a single currency, single stock or single market. Fund trade with interest derivatives may not lead to interest exposure with a negative duration for the fund.
	Added [OTC Derivatives]: The fund company is to state how the counterparty risk is calculated if the fund may make placements in OTC derivatives

Fund rules

Fund rules		
FFFS 1997:11 1997 May 1	**FFFS 2004:2 2004 April 1**	**FFFS 2005:14 2006 January 1** Identical to 2004:02 with one critical change to [FR, Customer awareness of rates]
[FR, Categories of instruments] in which the fund will make placements.	See [FR, Investment focus]	No change
[FR, Goals] The goals of the fund are to be clarified.	[FR, Goals] No change	No change
[FR, Investment focus] These are to be detailed to such extent that an investor can judge the risks associated with them. Any focus with respect to industry, geographical area or otherwise should be described.	[Investment focus] Added [FR, Categories of instruments] in which the fund may make placements, referring to securities, monetary market instruments, derivatives, units in other funds and credit institute accounts. Any focus on particular industry, geographical area, or instruments issued by certain issuers or similar will be described.	No change
[FR, Derivatives permit] Whether the fund has the right to make swap agreements or similar agreements and if the investment approach can change from this.	No specific post, see [Status]	No change
[FR, Bonds] If the fund has permission to invest in bonds for more than 35 % of fund holdings, this is to be specified.	No change	No change
[FR, Certified regions] An exchange or marketplace does not need to be designated if trade involves instruments listed in stock exchanges or authorized marketplaces in EU and EFTA countries as well as Australia, Hong Kong, Japan, Canada, Singapore and the US. This under the condition that the fund rules' investment objectives state that means will be placed in such securities and instruments. The above also holds for all regulated and open markets in the named countries. What is given above is conditional on the stock exchange, authorized marketplace or regulated market being supervised by an agency or authorized body.	Removed	No change
[FR, Derivatives] If a fund company on behalf of a fund intends to trade in derivatives or securities loans this will be disclosed. It will be stated whether the trading is intended to make managing more efficient or to protect the property from exchange rate loss or other risks. The extent and focus of the trading should also be disclosed.	Changed [FR, Derivatives] The fund rules are for each of these categories state whether or not the fund may make placements or take positions in them: Unlisted transferable securities and money market instruments; Derivative instruments and whether the trading in derivatives is for improving management efficiency or as part of fund objectives; OTC derivatives.	No change
[FR, Limits to derivatives use] The highest figure, in percentage of fund wealth, which the fund at any time may put aside for buying options, futures and other instruments including fees for securities loans. The total security limit, in percentage of fund wealth, which the fund at any time may not exceed cause of the trade with options, futures and other instruments.	Removed	No change
	Added: [Fund rules, Unit sales and redemption information]: The fund rules are to make clear to what extent the fund is open for selling and exchange of fund shares, as well as when and where selling and exchange prices for fund shares are made public.	No change
[FR, Dividends or reinvestment] Whether the fund reinvests earnings or pays dividends. If the latter, the time for issuing dividends together with the basis for dividends, such as proceeds on fund holdings, remainder from last year, realized and unrealized appreciation or other payable figures. If distributed means are used to issue new units in the fund this is noted.	No change	No change
[FR, Fund rules, Sale and redemption rates] which principles are used when setting sale and redemption rates for fund units.	No change	No change
[FR, Customer awareness of rates] It will be especially noted whether or not selling or exchange will occur at rates the fund unit owner known at the time of demanding sale or redemption.	[FR, Customer awareness of rates] It will be particularly noted that selling or exchange will occur at rates that are known by the customer at the time when sale or redemption is demanded.	[FR, Customer awareness of rates] It will be particularly noted that selling or exchange will occur at rates that are NOT known by the customer at the time when sale or redemption is demanded.
[FR, Sale and redemption fees] If the fund company asks a fee for selling or exchanging fund units the fund rules will disclose how the fees are calculated. The maximum fee that may be charged will be given as a percentage of fund unit value.	No change	No change
[FR, Management and depositary fee] The fund rules shall disclose the highest fee the fund company may remove from the fund to cover the managing and storage expenses. The fee is given as a yearly percentage of fund value.	Changed [FR, Management and depositary fee]: The fund rules shall disclose the highest fee the fund company may remove from the fund to cover the management fee, with the information including the costs for depositary and costs for SFSA supervision and auditing. The fee is given as a yearly percentage of fund value.	No change
	Added: [Designation of managing company] and [Designation of depositary] to fund rules	No change
	Added: [Fund name]	No change
	Added: [Status] Whether the fund is a UCITS or a special fund	No change
	Added: [Fund legal status] The legal nature of the fund will be disclosed. It will be stated that the fund wealth is owned collectively by fund share owners and that every share carries the same right to the property included in the fund. It will furthermore be clear that the company managing the fund represents the owners in all questions pertaining to the fund and that the investment fund cannot acquire rights or assume liabilities.	No change
	Added: [Risk benchmark] any sought risk level and the risk benchmark used. The risk benchmark is to be relevant for the management operations.	No change
	Added: [Markets] in which stock exchanges, marketplaces or markets the fund may make placements	No change
	Added: [Fund rules, Specific investment strategies] The fund rules are to disclose if any of the following strategies are used:	No change
	placement in bonds and instruments of indebtedness that are guaranteed by government or municipality, allowing for placement of more than 35 % of fund holdings in bonds	
	Shares in other funds to a "significant" degree	
	placements in commodities derivatives	
	Placements following a stock index or bond index, with specification of said index.	
	Added: [FR,Closing fund to entry] The rules are to disclose if it is possible to close the fund for issuing of new fund units. If it can be closed it must be made clear under which objective conditions such a measure is possible.	No change
	Added: [FR,Closing fund to entry or exit] It is also to be stated that the fund may be closed for unit sales and/or redemption due to any extraordinary circumstances that make valuation of fund holdings and equal treatment of unit holders impossible.	No change
	Added: [Performance-based fee]: If present, the complete calculation basis is disclosed, with specification of the earnings level at which the fee may be charged.	No change
	Added: [Pledging or assignment] whether or not unit owners have the possibility to pledge their units as loan safeties or assign them to a third party.	No change
	Added: [Additional fund rules] Additional information deemed necessary for unit owners by both the company and the SFSA would conclude the fund rules.	No change
	Added: [Financial year] The fund rules are to state which financial year is used for the fund.	No change
	For special funds only: [Special fund status] It will be clarified if the fund is open to the public or a particular limited circuit of people. If so, this circuit is to be described.	No change
	For special funds only: [Deviations from placement rules of UCITS]	No change
	For special funds only: [Valuation of unlisted instruments]If assets are not valued daily, the fund rules of a special fund will inform when approximate unit value is announced.	No change

Quarterly reports

FFFS 1998:10 1998-June 30 The Securities Funds Ordinance (1998:1212) was in 1998 changed signifying what the FSA could regulate within the framework of the law. This change enabled the FSA to demand any information from fund companies and depositary institutions necessary for it to complete its task of monitoring. The FSA's task was, in part, to therefore mandatorial if companies it had jurisdiction over should provide fund operations to provide quarterly reports.	FFFS 2000-20 2000-December-31	FFFS 2001-17 2002-January-1	FFFS 2001-10 2002-January-1 Social Sliver codes, national funds are to complete and send in a [Quarterly summary of securities] and a [Quarterly summary of derivatives] as well.	FFFS 2002-2 2003-April-1 This comprehensive set of regulations for funds now incorporated the FFFS 2001:10 regulations for [Quarterly summary of securities] and [Quarterly summary of derivatives]	FFFS 2003-12 2003-November-1 Change summary: This regulatory code was essentially a combination of existing regulations for [Securities fund quarterly reports] and FFFS 2002:2, [Quarterly summary of securities] and [Quarterly summary of derivatives]	FFFS 2006-5 Early 1 2006 Changes summary: Introduced a [Special fund monthly risk report], which was to provide 1. standard deviation, 2. fund returns of previous month 3. concentration risk, with the four largest concentrations designated
One [Securities fund quarterly report] for each fund managed. In addition, fund companies are to write the closing of the quarter. The quarterly reports are compiled and presented by the SFSA.							
[Securities fund quarterly report]							
[QR, Fund units quarterly report]	No change	No change	No change	No change	[Special fund quarterly report] were now to be made for securities funds and special funds.	No change
Unit value						
Total number of units.						
Total assets						
Unit ratio (as percentage of unit value)						
Unit redemption fee (as percentage of unit value)						
Average liquidity (sum of fund liquid assets to be every banking day in the quarter divided by the sum of fund holdings on the same day)						
[QR, Fund type]	No change	Changes to [QR, Fund type]	No change	No change	No change	No change
Share funds (have at least 75 of holdings in Swedish or foreign shares)		Securities fund				
Interest (300 interest bearing securities)		Rational fund				
Balanced		Within these two main categories a fund has a secondary classification out of the following:				
Other		Share fund (at least 75% of placements are Swedish or foreign shares)				
		short interest fund (300% interest bearing securities with an average duration of 12 months or shorter)				
		long interest fund (300 % interest bearing securities with an average duration of 12 months or longer)				
		Mixed fund (Both shares and interest bearing securities)				
		Other fund (no others classification valid)				
Securities by listing status) As percentages of total holdings:	No change	Changes to [Securities by listing status]. As percentages of total holdings:	No change	No change	No change	No change
Securities and other financial instruments listed in Swedish or foreign stock exchange		Stock exchange listed instruments with Swedish issuer				
Securities and other financial instruments listed in an authorized marketplace		Stock exchange listed instruments with foreign issuer				
Securities and other financial instruments subject to regular trade in any regulated market open to the public		Other trading listed instruments with Swedish issuer				
Securities and other instruments that within a year of offering are intended for listing on any of the above types of venues and		Other trading listed instruments with foreign issuer				
Unlisted securities and financial instruments.		Other instruments not publicly open or subject to regular trade with Swedish issuer				
		Other instruments not publicly open or subject to regular trade with foreign issuer				
		Instruments meant to be listed for public trading within twelve months.				
[Fund income statement]	No change	No change	No change	No change	No change	No change
[Income]						
Interest (net)						
Dividends						
Rent						
Monetary market instruments						
[Securities]						
Swedish government bonds (e.g. government bonds and debt certificates)						
Bonds and other interest bearing securities (long-term interest bearing securities issued by credit institutes)						
Certificates (certificates, zero-coupon bonds issued by credit institutes)						
Shares and shares, total market value of holdings in shares, (listed and unlisted)						
Units in other funds (Units in other funds, market value of units in other securities funds as foreign funds)						
Derivatives (total holdings of assets)						
[Expenses]						
[Costs]						
Prepaid costs accrued earnings and interest						
Tax debts						
Other claims						
[Assets]						
Tax debt						
Accrued compensation to fund company and depositary						
Accrued costs, prepaid earnings and interest						
Derivatives (total holdings of negative derivatives)						
Other debts						
[Total]						
[Fund value by sector]	Added to [Fund value by sector]. Social insurance with SFPM fund and FPM holdings of units unmarked	Changes to [Fund value by sector]:	No change	No change	No change	No change
Swedish households, individuals or groups;	Swedish households, individuals or groups;	Swedish households				
Household non-profit organisations, like sports clubs or political parties	Household non-profit organisations, like sports clubs or political parties	Individual pension savings (IPS)				
Swedish financial companies;	Swedish financial companies;	Household non-profit organisations				
Intermediaries like banks or insurance companies;	Intermediaries like banks or insurance companies;	Swedish financial companies				
Swedish non-financial companies, owned. Municipalities;	Swedish non-financial companies, owned. Municipalities;	Life insurance placements by companies				
Other Swedish owners;	Other Swedish owners;	Swedish non-financial companies				
Foreign owners.	Foreign owners.	Foreign owners				
	Social insurance, LP	Social insurance, LP				
	Social insurance, FPM	Social insurance, FPM				
		Other Swedish owners				
		Foreign owners.				
[Quarter transactions] In and out payments regarding sales and purchases of fund units, and payments automatically used to provide new units and cash dividends.	No change	No change	No change	No change	No change	No change
[Specification of securities and other instruments] All securities and instruments denominated in foreign currency to be specified in Swedish kronor by the exchange rates of reporting day.	No change	No change	No change	No change	No change	No change
For bonds both nominal value and market value is disclosed						
For equity and fund units only the market value						
The total net position of the fund in derivatives is also to be disclosed.						
[Fund summary of securities]						
Every [security summary category] is to be presented as below for each day of the quarter	No change	No change	Now to be provided for national funds as well	No change	Now to be provided for national funds (authorized as per SFS 1998:1212 as before, but also special funds (authorized as per SFS 2006:88)	No change
For each Security [1], with value and percentage of fund holdings for each:						
1. Actual holdings and based in [5]						
2. Loaned out [5]						
3. Debt for loaned out [5]						
4. Held put and call options for [5]						
5. Futures with positive value for [5]						
6. Futures with positive value for [5]						
7. Futures with negative value for [5]						
8. Total positions in [5]						
[Security summary categories]. For every issuer, the market value of issued securities as a percentage of total fund value is to be disclosed.	No change	No change	No change	No change	No change	No change
Shares, with a special note if holdings in shares from same issuer amounting to 5% or more of fund value. The share holdings are also to be disclosed as percentages in investment objective categories like geographical area, industry et al.						
Convertibles.						
Bonds, with a special note if any holdings in bonds from a single issuer amounting to 5% or more of fund value						
Bonds issued by credit institutes under public supervision within the EEA, with a special note if any holdings in bonds from a single issuer amounting to more than 25% of fund value.						
Bonds issued by government or municipality, with a special note if any holdings in bonds from a single issuer amounting to more than 35 % of fund value						
Bonds issued by government or municipality within the EEA.						
Bonds issued by international bodies						
Bonds guaranteed by government, municipality or a government or municipal agency within EEA or by an international body.						
Units in other securities funds. Special note of units in funds managed by other company within the reporting company's corporate group.						
Obtained and issued put and call options and futures						
Obtained securities and other instruments						
[QR, Any ventins] The following is to be posted for every banking day of the quarter:	No change	No change	Now to be provided for national funds as well	No change	No change	No change
Fund assets.						
Fund liabilities						
other assets and debts (net)						
fund unit value						
[Quarterly summary of derivatives]						
This is to ensure that no fund ever the use of derivatives comes to violate any placement rules.	No change	No change	Now to be provided for national funds as well	No change	Now to be provided for national funds (authorized as per SFS 1998:1212 as before, but also special funds (funds authorized as per SFS 2006:88)	No change
[Derivatives summary categories]	No change	No change				
Share options and futures						
Interest rate options and futures.						
Currency options and futures.						
Index options and futures, synthetic instruments.						
Total obtained options.						
Issued options.						
Total issued options based put securities.						
[Derivatives risk key] For each category of risk the company is to change a relevant metric and calculate the worst possible impact on fund value, expressed as a percentage of fund value	No change	No change				
Stock price risks confirmed from holdings in shares and related instruments. Calculate effect of a +/- 10 % change to the entire share portfolio						
Interest risks confirmed from bonds etc. Calculate effect of a +/- 1.0 % change to general interest rates.						
Currency risks confirmed from holdings in foreign currencies. Calculate effect of a +/- 10% change in all currency exchange rates vis-a-vis SEK						
[Special fund monthly risk report]						[Special fund monthly risk report]
						1. standard deviation, 2. fund returns previous month 3. concentration risk, with the four largest concentrations designated

General guidelines

Complaints handling	
FFFS 1996:25 (GENERAL GUIDELINES) 1997 January 1	**FFFS 2004:2 2004 April 1**
	FFFS 1996:25 were added as a chapter in the 2004:2 regulatory codes, but with some revisions.
[Statement to companies] Complaint handling is important for public trust in financial markets. Documentation provide undertakings with feedback for improvement of services.	Removed
[Objectives for complaints handling] Correctly, substantially and without delay.	Changed: Complaints are to be handled effectively and with care. Complaints are to be answered objectively and correctly on customer's written demand
[Complaint definition] Customer dissatisfaction where it is clear the institute is seen as not having met conditions or a demand for correction regarding a financial service.	Changed: A company customer in a specific matter presenting specific dissatisfaction with the handling of a financial service or product. General views and general expressions of displeasure are in this context not considered complaints.
[Internal instructions for complaints] a decision-making process for complaints handling, routines for internal dissemination of complaint details and a functional procedure for later resuming contact with customers	Added: The instructions are to be established by the board or management. The internal instruction is to be documented and spread internally. Through the internal control function it will be ensured that complaints are handled satisfyingly and as per instructions.
[Information to SFSA] contact information for relevant institute personnel in case customers first contact SFSA with complaints, or if SFSA has questions regarding an institute's complaints handling.	Removed. A company was no longer advised to send contact information to the SFSA, e.g. what company employee to refer to in case a customer first contacts the SFSA.
[Handling time] all complaints should be answered urgently, and a customer's pressing circumstances, e.g. having to provide evidence in a legal dispute, are to be especially heeded.	No change
[Delay] If answer not given within 14 days the plaintive should be informed about the state of the handling process.	No change
[Dismissal] If the institute cannot meet the complaint with satisfying measures, the plaintive should receive information as to where the matter can be pursued further, e.g. institute instances or outside entities like a complaints authority or court. Also referrals to Konsumenternas Försäkringsbyrå, Konsumenternas Bankbyrå and municipal agencies.	Added: The customer is to always be informed as to why the complaint is dismissed, and if demanded also in writing.
[Complaints archival] should make later follow-up of a case possible, with the duration of documentation storage dependent on the nature of the case, the needs of the institution and the needs of the plaintive.	Added: A company was now to maintain the archive with improvement of operations and problem preparedness in mind.
	Added: There is to be appointed at least one person responsible for complaints handling.
Ethics	
FFFS 1998:22 (GENERAL GUIDELINES) 1999 January 1	**FFFS 2004:2 2004 April 1**
[Role of ethics guidelines] [Individual company's ethics guidelines][General ethical objectives][Content of company guidelines][Guideline adherence] 1999 January 1	FFFS 2004:2 The FFFS 1998:22 were added as a chapter in the 2004:2 regulatory codes, but with some revisions.
[Role of ethics guidelines] Ensure public trust in the financial markets and sustainability and soundness in operations. The guidelines are to serve for employees when the ethical course of action is not clearly evident and legislation does not limit or instruct.	No change
[Individual company's ethics guidelines] It is possible to adopt the ethical guidelines of the company's corporate group if suitable. All ethical guidelines are to be agreed upon and documented by the board of directors, and revised when needed.	Changed: It is <u>not</u> possible to adopt the ethical guidelines of the company's corporate group if suitable. All ethical guidelines are to be agreed upon and documented by the board of directors, and revised when needed.
[General ethical objectives] subjects should act honestly and fairly, with necessary skill, care and speed, avoid conflicts of interest and see to the fair treatment of customers if they do occur. The guidelines should cover all operations and be based on: business custom; consequential actions; equal treatment e.g. with regards to ethnicity; openness and honesty.	Changed: Removed "subjects should act honestly and fairly, with necessary skill, care and speed" and "subjects should avoid conflicts of interest".
[Content of company guidelines] Guidelines should consider key areas such as economic advising of customers, extension of credit and marketing. Written procedures should ensure operations proceed within legislation, rules and ethics. The guidelines should also cover how the company investigates adherence to procedures, especially for acts that could be questioned from a moral, ethical or legal perspective.	Regarding [Content of company guidelines], there were no longer any examples of key areas that were prone to be the source of ethical issues.
[Guideline adherence] Compliance with the above should be verified in the course of a general internal review the board of directors is responsible for. The guidelines advise institutes to establish routines providing the board with information of important ethical questions concerning employees and their work. Lastly, all employees should be continuously educated and informed regarding ethical questions and the institute guidelines.	No change
Employee's personal matters	
FFFS 1998:22 (GENERAL GUIDELINES) 1999 January 1 How employees are to report to and seek guidance from superiors when uncertainties arise. Handling of their own or closer relatives' transactions with securities or currencies, gifts or benefits and assignments outside of occupation.	**FFFS 2004:2 2004 April 1** Now concerned only: foreign currency bought 'a vista' [spot] by employee or relative, for other purpose than payment of financial instruments, goods, services or travels.
	[Relatives] are now specified as spouse or cohabitee and minors the employee is custodian of. By relative is also meant any legal person with which the employee, alone or together with others, has significant fellowship and significant influence. Exceptions can be made of employees in local foreign offices if they are covered by local regulations regarding the matter.
	[One-month rule] employees who acquire financial instruments may dispose of said instruments with profit no earlier than a month after acquisition (the one-month rule), including purchases of foreign currency. Exception may be given in pressing situation and if it is evident the purpose of the rules are not set aside. The board or the management issues instructions for controlling adherence to rules and appoints a person responsible for compliance.
Reporting of significant events	
FFFS 1999:7 1999 (GENERAL GUIDELINES) June 1	**FFFS 2004:2 2004 April 1 INCLUDED WITH NO CHANGES**
[Definition of events]Examples include crime, attempt or conspiracy to crime or intentional or unintentional mistakes relevant to operation.	No change
[Measures of significance] the risk of significant economic loss; threats to vital functions; serious, repeated or lengthy downtime in providing of services, communications and IT systems or risk of same; risk to company credibility on the market and risk of repercussions for customers or employees.	No change
[Reporting of events]SFSA is to be notified immediately, with a written report from board of directors or CEO within four weeks. Suspicion of or confirmation of crime affecting the company are to be reported to police agency or prosecutor.	No change
[Company guidelines for events] Board of directors should set written guidelines for handling and reporting of events of significant consequence.	No change
[Event specifics] All employees affected and their respective offices; The economic damage or an approximation of what damage might affect the company or its customers; The discovery of the event and whether flaws in monitoring systems have been exposed; a description of which measures have been or will be taken; disciplinary measures that have been or will be taken and when any report to police or prosecutor was made.	No change
Internal governance and control	
FFFS 1999:12 1999 (GENERAL GUIDELINES) October 21	**FFFS 2004:2 2004 April 1 INCLUDED WITH NO CHANGES**
[The board of directors, responsibilities]: institute organization; the managing of institute affairs; organizational functions ensuring control of economic management; written instructions allocating tasks between the board, the CEO and bodies set up by the board; appraising the economic situation of the company and requesting suitable reports. Every board with more than one member is to establish rules of procedure. Systems for governance of and internal information regarding operation risks. Organization of internal control.	No change
[Governance] Written instructions for any bodies set up by the board should at least: inform them which measures can be taken independently; which reports the board requires and when accounting needed for SFSA reports is to be handed in. The board is to note any assignment given to a particular board member. The board is to ensure that: long-term plans are continuously reassessed; major changes in operations are handled by the board; governance and follow-up of risks are sufficient, with written guidelines for monitoring and handling of risks in central operations. Examples of risks include credit, market, interest, currency or stock market risks and legal risks.	No change
[Internal information] information systems that provide relevant information whenever needed.	No change
[Internal control] routines that ensure that operations and accounting follow legislation, rules and instruction from the board or the CEO.	No change
[Routine examples] monitoring developments deviating from guidelines; the allocation of responsibility within the institute ensures that controlling bodies are independent of controlled bodies (duality principle); guidelines for upholding security of information as well as physical security. Risk analyses for noticing security and operation risks.	No change
[Improving internal control] Development, documentation and continuous enforcing of instructions and routines; Clear allocation of responsibility and tasks; routines ensuring that the work of one officer is independently controlled by another (the duality principle); Development of systems ensuring validity and relevance of information for reports and accounting	No change
[Monitoring body] The board is to see to the existence of an independent monitoring function directly answering to the board of directors or the CEO. Its responsibilities, tasks and reporting should be provided by the board of directors. The monitoring body is to maintain that the scope and direction of operations follow board directions. It should also monitor and evaluate organization, routines and internal control. It should have particular competence regarding evaluation of operating and management of IT systems.	No change