Sweden's 'stability fee' on banks resonates abroad

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issue last year for Nordea Bank, in which it holds a 20 percent stake. It also took over Carnegie, a small investment bank.

Two Swedish banks — SEB and Swedbank — ran into trouble from their aggressive expansion in the Baltic states of Estonia, Lithuania and Latvia. While the lenders were not bailed out, they benefited from state guarantees, avoiding damaging runs.

But Stockholm went further, introducing a permanent stability fee on banks and other credit institutions that some now see as a model for other countries.

The levies are allocated to a stability fund, managed by the National Debt Office. The government plans to keep levying money until it hits a total of 2.5 percent of G.D.P. in 15 years. The Swedes estimate that to be the amount that a full-blown banking crisis would normally cost the economy.

"We have a stable system to ensure that taxpayers will be protected in future crises."

The fee will be due annually, starting at 0.018 percent of each institution's liabilities, excluding equity capital and some junior debt securities, based on audited balance sheets.

The first payments have not yet been made because the banks' 2009 reports have yet to be finalized. But the government has already started the fund with an infusion of 15 billion kronor, or $2.1 billion. Sweden has also parked its shares in Nordea, which have increased in value, in the fund; when conditions are right, Mr. Odell said, the government plans to sell its stake.

The fund now stands at about 30 billion kronor, or about 1 percent of Swedish gross domestic product.

Starting in 2011, the bank levy is to rise to 0.036 percent of liabilities, with the government planning to introduce a weighted charge as well. Companies with riskier balance sheets would pay more.

The funds will initially be used by the agency in its own operations — which potentially means the government could use it to pay down its own debt. When the funds are needed for bank support, the agency would raise money from the market by issuing new debt securities.

Sweden has learned from some of the mistakes it made during the crisis of the 1990s. At that time, it introduced a levy on transactions, but trading activity then migrated to London, where taxes were more favorable, the Swedish finance minister, Anders Borg, said Tuesday at a meeting in Brussels.

Having established and tested the new policies, Mr. Borg urged his European partners, in a letter released Tuesday, to follow his country's lead and introduce a similar program.

According to Swedish officials, the stability fee has been welcomed by the banks that dominate the financial system. Smaller credit and financing companies complained bitterly, though, arguing that they would never be helped by the government in the event of a failure.

The government's response: Th whole sector will benefit from the in provement in financial stability.

In the United States, the reverse i happening. The Securities Industry an Financial Markets Association, repre senting Wall Street and big banks, i considering a lawsuit against the ac ministration on the grounds that "a ta so narrowly focused would penalize specific group."

Finance ministers from the Group c 20 world economic powers are schec uled to meet in February and are expe ted to discuss the issue. At the request c the G-20, the International Moneta Fund is working on proposals for a cri levy and it plans to deliver a report to 20 ministers in April. Leaders will exa ine the issue in June.

So far, the reaction to Mr. Borg's p posal in other European capitals h been mixed. A spokesman for the Br ish Treasury said Wednesday that Lo don was working with its G-20 partne to explore "shifting the burden for ba outs to banks rather than taxpayers. But beyond the one-time bonus tax th it recently introduced, it does not plan domestic levy on banks.

On Tuesday, the French econom minister, Christine Lagarde, welcome the Swedish proposal. But a French offi cial, who was not authorized to spea publicly, said that Paris "would no want to send the signal that we will clob ber banks."

The E.U. taxation commissioner, Laszlo Kovacs, said Tuesday that it would take just one country to block plans for a pan-European levy. "I wouldn't bet a lot of money on the introduction of this new tax," he said.