

Regulations and guidelines 25/2013

Capital requirements calculation and large exposures

J. No.
FIVA 18/01.00/2013

Issued
9.12.2013

Valid from
1.1.2014

FINANSSIVALVONTA
tel. 010 831 51
fax 010 831 5328
firstname.surname@finanssivalvonta.fi
www.fin-fsa.fi

Further information from
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Legal nature of regulations and guidelines

Regulations

Financial Supervisory Authority (FIN-FSA) regulations are presented under the heading 'Regulation' in FIN-FSA's regulations and guidelines. FIN-FSA regulations are binding legal requirements that must be complied with.

FIN-FSA issues regulations only by virtue of and within the limits of legal provisions that entitle it to do so.

Guidelines

FIN-FSA interpretations of the contents of laws and other binding provisions are presented under the heading 'Guideline' in FIN-FSA's regulations and guidelines.

Also recommendations and other operating guidelines that are not binding are presented under this heading, as are FIN-FSA's recommendations on compliance with international guidelines and recommendations.

The formulation of the guideline shows when it constitutes an interpretation and when it constitutes a recommendation or other operating guideline. A more detailed description of the formulation of guidelines and the legal nature of regulations and guidelines is provided on the FIN-FSA website.

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1 Scope of application and definitions

1.1 Scope

- (1) These regulations and guidelines are applicable to the following supervised entities as referred to in section 4 of the Act on the Financial Supervisory Authority and other supervised entities:
- credit institutions
 - investment firms, with the exception of investment firms referred to in chapter 6, section 1, subsection 4 of the Investment Services Act
 - management companies engaged in activities referred to in section 5, subsection 2 of the Mutual Funds Act (fund management companies engaged in asset management)
 - central bodies of amalgamations of deposit banks
 - holding companies of credit institutions
 - holding companies of investment firms.
- (2) Parent companies of financial and insurance conglomerates are only subject to chapter 11 of these regulations and guidelines.
- (3) Chapter 10, addressing the own funds requirements for operational risk under Part Three, Title III of the Capital Requirements Regulation (CRR), is not applicable to management funds engaged in asset management, investment firms referred to in Article 95 of the Regulation, only engaged in activities referred to in chapter 1, section 11, subsections 1, 2, 4, 5, 7, 8 and 9 of the Investment Services Act or investment firms referred to in Article 96 of the Regulation. The above-mentioned investment firms are subject to an approach based on fixed overheads under Article 97 of the Regulation.
- (4) Chapter 11 (large exposures) is not applicable to management firms engaged in asset management, investment firms referred to in Article 95 of the Regulation, only engaged in activities referred to in chapter 1, section 11, subsections 1, 2, 4, 5, 7, 8 and 9 of the Investment Services Act or investment firms referred to in Article 96 of the Regulation.
- (5) These regulations and guidelines are applicable to the holding companies of credit institutions and investment firms only on the basis of their consolidated situation.

1.2 Definitions

For the purposes of these regulations and guidelines, the following terms shall have the following meanings:

- (6) *Supervised entity* refers to all supervised entities and other entities referred to in the Act on the Financial Supervisory Authority falling within the scope of application of these regulations and guidelines stated above in section 1.1.

- (7) According to FIN-FSA's interpretation, until a regulatory technical standard as referred to in Article 193, paragraph 10, subparagraph a) of the EU CRR has been issued, the OMX Helsinki 25 Index shall be considered the *main index* as referred to in the subparagraph.

2 Legal framework and international recommendations

2.1 Legislation

These regulations and guidelines are related to the following legal acts:

- Credit Institutions Act (610/2014, hereinafter also CIA)
- Investment Services Act (747/2012; hereinafter also ISA)
- Act on the amalgamation of deposit banks (599/2010, hereinafter also the Amalgamations Act)
- Act on the Supervision of Financial and Insurance Conglomerates (699/2004, hereinafter also the Conglomerates Act)
- Ministry of Finance Decree on applicable exemptions to the limitations of large exposures of credit institutions, investment firms and financial and insurance conglomerates (699/2014)
- Act on Unincorporated State Enterprises (1062/2010)
- Municipal Pensions Act (549/2003)
- Securities Markets Act (746/2012)
- Act on the Book Entry System and Clearing Operations (749/2012)
- Mutual Funds Act (48/1999)
- Right-of-Occupancy Housing Act (650/1990)
- Limited Liability Companies Act (624/2006)
- Co-operatives act (421/2013)
- Accounting Act (1336/1997)
- Act on the State-Owned Specialised Financing Company (443/1998)
- Act on Credit, Guarantee and Capital Investment Operations of the State-Owned Specialised Financing Company (445/1998).

(Issued 13.4.2015, valid from 30.4.2015)



2.2 EU Regulations

These regulations and guidelines are related to the following EU Regulation:

- Regulation (EU) No 575/2013 (32013R575) of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012; OJ L 176, 27.6.2013, p. 1 (CRR).

As regards the matters addressed in these regulations and guidelines, the European Commission has provided many supplementary Regulations and Decisions pertaining to the EU capital requirements regulation, which will implement the regulatory technical standards prepared by the European Banking Authority. The Commission's Regulations and Decisions are available on the European Commission's Banking and Finance website under Prudential Requirements. In addition, the Regulation section of the FIN-FSA website contains a compilation of links to EU legislation related to this matter. *(Issued 4.12.2014, valid from 31.12.2014)*

2.3 EU Directives

These regulations and guidelines are related to the following EU Directive:

- Directive 2013/36/EU (32013L0036) of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC; OJ L 176, 27.6.2013, p.338 (hereinafter the Credit Institutions Directive).

2.4 FIN-FSA's regulatory powers

FIN-FSA's power to issue binding regulations is based on the following legal provisions:

- Chapter 11, section 16 of the Credit Institutions Act. *(Issued 4.12.2014, valid from 31.12.2014)*

2.5 International recommendations

In preparing these regulations and guidelines, consideration has been given to the following international recommendations:

- (1) As regards the internal ratings based approach (chapter 6), the matters addressed in these regulations and guidelines are related to the following guidelines of the Committee of European Banking Supervisors (CEBS):
 - Guidelines on the implementation, validation and assessment of Advanced Measurement and Internal Ratings Based Approaches (Issued 4.4.2006).
- (2) As regards market risk (chapter 8), the matters addressed in these regulations and guidelines are related to the following guidelines of the European Banking Authority (EBA):
 - Guidelines on Stressed Value at Risk (Stressed VaR) EBA/GL/2012/2 (Issued 16.5.2012)

- Guidelines on the Incremental Default and Migration Risk Charge (IRC) EBA/GL/2012/3 (Issued 16.5.2012)
 - Guidelines on corrections to modified duration for debt instruments, as referred to in Article 340(3)(2) of Regulation (EU) No 575/2013 (EBA/GL/2016/09) (*Issued 20.2.2017, valid from 1.3.2017*)
- (3) As regards securitisation (chapter 9), the matters addressed in these regulations and guidelines are related to the following guidelines of the European Banking Authority (EBA):
- Guidelines on Significant Credit Risk Transfer relating to Articles 243 and 244 of Regulation (EU) No 575/2013 (Issued 7.7.2014). (*Issued 4.12.2014, valid from 31.12.2014*)
 - Guidelines on implicit support for securitisation transactions, in accordance with Article 248 of Regulation (EU) No 575/2013 (EBA/GL/2016/08) (*Issued 20.2.2017, valid from 1.3.2017*).
- (4) As regards operational risk (chapter 10), the matters addressed in these regulations and guidelines are closely related to the following guidelines of the European Banking Authority (EBA) and its predecessor, the CEBS:
- Guidelines on the implementation, validation and assessment of Advanced Measurement and Internal Ratings Based Approaches (Issued 4.4.2006)
 - Compendium of Supplementary Guidelines on implementation of operational risk (Issued 21.12.2009)
 - Guidelines on Operational Risk Mitigation Techniques (Issued 22.12.2009)
 - Guidelines on Advanced Measurement Approach (AMA) - Extensions and Changes (Issued 6.1.2012).
- (5) As regards large exposures (chapter 11), the matters addressed in these regulations and guidelines are related to the following guidelines of the European Banking Authority (EBA) and its predecessor CEBS:
- Guidelines on the implementation of the revised large exposures regime (Issued 11.12.2009)
 - Guidelines according to article 395.2 of regulation (EU) No 575/2013 on limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework (EBA/GL/2015/20).
- (6) As regards disclosure of capital adequacy information (chapter 11), the matters addressed in these regulations and guidelines are related to the following guidelines of the European Banking Authority (EBA):
- Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (*Issued 13.4.2015, valid from 30.4.2015*).

3 Objectives

- (1) The objective of these regulations and guidelines is to provide supervised entities with further instructions, within the limits allowed by EU regulation, on the calculation of capital requirements and large exposures.
- (2) The further instructions are related to the national application of the CRR as well as regulations and guidelines of the European Banking Authority and its predecessor, the Committee of European Banking Supervisors, CEBS.
- (3) These regulations and guidelines also include FIN-FSA regulations on matters within the discretion of the competent authority in the CRR.
- (4) These regulations and guidelines also include appendices aiming to provide guidance to supervised entities on the application procedures related to the use of internal models (IRBA and AMA) and for the purposes of documentation in ongoing supervision related to the IRBA.

4 Own funds and their minimum amount

4.1 New capital instruments and other items booked in own funds

4.1.1 Non-restricted equity reserve belonging to Common Equity Tier 1 (CET1)

- (1) In accordance with chapter 8, section 2 of the Limited Liability Companies Act, an institution established as a limited liability company may have a non-restricted equity reserve. Funds may be entered in the non-restricted equity reserve for example through an equity issue, subscription of option rights or special rights, surrender of treasury shares, or equity injections. Furthermore, in accordance with chapter 8, section 2 of the Co-operatives Act, an institution established as a co-operative may have a non-restricted equity reserve.

GUIDELINE (paragraphs 2–4)

- (2) In accordance with FIN-FSA's interpretation, the non-restricted equity reserve qualify as CET1 other reserves as referred to in Article 26, paragraph 1, subparagraph e) of the CRR. In accordance with Articles 26, 51 and 62 of the CRR, any premium on capital instruments issued qualifies as the type of own funds whose conditions are satisfied by the capital instrument. As a consequence, it is possible that the non-restricted equity reserve cannot be recorded in full as a CET1 item, if a capital instrument entered in the reserve does not satisfy the conditions set out in Article 28, and in some cases in Article 29, of the CRR. If proceeds from the instrument qualify as Additional Tier 1 capital (AT1), special attention must be paid to that the conditions of the instrument include a write-down mechanism as referred to in Article 52, paragraph 1, subparagraph n) of the CRR. *(Issued 4.12.2014, valid from 31.12.2014)*
- (3) In accordance with FIN-FSA's interpretation, Articles 26, 51 and 62 of the CRR entail that the supervised entities must be able to ascertain at all times, which items are recorded in the non-restricted equity reserve. The supervised entity must be able to state reliably how these items have been treated in the reporting of own funds and the information disclosed on own funds.
- (4) In accordance with Article 28, paragraph 1, subparagraph d) of the CRR, proceeds from share and unit issues should be recognised and disclosed as a separate item in the non-restricted equity reserve in cases when proceeds from subscriptions of shares and units qualify as CET1. *(Issued 4.12.2014, valid from 31.12.2014)*

4.1.2 Instruments recorded in the non-restricted equity reserve

- (5) In accordance with Article 78, paragraph 1 of the CRR, the reduction, repurchase, call or redemption of Common Equity Tier 1, Additional Tier 1 or Tier 2 instruments requires a prior permission of the competent authority.

GUIDELINE (paragraph 6)

- (6) In accordance with FIN-FSA's interpretation, the reduction, repurchase, call or redemption of capital instruments recorded in the non-restricted equity reserve requires, under Article 78, section 1 of the CRR, a prior permission of the FIN-FSA. Here capital instruments refer to shares and units meeting the criteria in Articles 28–29, 52 and 63 of the CRR. *(Issued 4.12.2014, valid from 31.12.2014)*

4.1.3 Approval of terms and conditions of new capital instruments qualifying as own funds and their submission to FIN-FSA

- (7) In accordance with Article 26, paragraph 3 of the CRR, supervised entities may, after 28 June 2013, classify capital as CET1 instruments only after permission is granted by the competent authorities. The competent authorities may consult the EBA.
- (8) In accordance with Article 26, paragraph 3 of the CRR, the EBA shall establish and publish a list of all the forms of capital instruments in each Member State that qualify as Common Equity Tier 1 instruments based on information submitted by each competent authority. In accordance with Article 80 of the CRR, it is the EBA's duty to monitor the quality of own funds instruments issued by institutions across the Union.
- (9) The EBA's first CET1 list was published on 28 May 2014. This list of Common Equity Tier 1 capital instruments is updated regularly and it is available on the EBA website, Regulation and policy, Own funds, Other publications (<http://www.eba.europa.eu/regulation-and-policy/own-funds>). The list shows eligible CET1 instrument types in each Member State. *(Issued 4.12.2014, valid from 31.12.2014)*
- (10) On 7 October 2014, the EBA published its first report on eligible criteria for AT1 instruments and it will regularly update the report. The EBA has also published standardised templates for AT1 instruments. They are also available on the EBA website. *(Issued 30.8.2016, valid from 15.9.2016)*
- (11) On its website, FIN-FSA has published further instructions on inspection of the quality of own funds (Fiva.fi/en – Supervision – Prudential supervision – own funds). *(Issued 30.8.2016, valid from 15.9.2016)*

GUIDELINE (paragraph 12)

- (12) Prior to the permission granted by FIN-FSA by virtue of Article 26, paragraph 2 of the CRR, a capital instrument should not be presented or reported as a capital instrument qualifying as CET1.

GUIDELINE (paragraphs 13–14)

- (13) FIN-FSA recommends that supervised entities give a prior notice to FIN-FSA of new capital instruments intended to be categorised as Additional Tier 1 (AT1) and Tier 2 (T2)

capital and their key terms and conditions. Because the EBA monitors and supervises eligible criteria for AT1 instruments, FIN-FSA recommends that the supervised entities well in advance contact FIN-FSA and submit to FIN-FSA planned criteria and a comparison of them to the criteria set in the CRR and the Commission Delegated Regulation 241/2014¹, which criteria the capital instruments must meet. When preparing eligibility criteria applicable to AT1 instruments, the recommendations of the EBA should be complied with as they are provided in the EBA report or in EBA interpretations provided in the so-called Q&A process. (Issued 4.12.2014, valid from 31.12.2014)

- (14) FIN-FSA recommends that supervised entities give a prior notice to FIN-FSA of capital injections to be made in the non-restricted equity reserve, their amount, and related terms and conditions.

4.1.4 Entry of capital loans under Limited Liability Companies Act in own funds

- (15) Capital instruments qualifying as own funds must satisfy the conditions provided in the CRR:
- The conditions for capital instruments qualifying as CET1 are provided in Article 28 of the CRR, in addition to which Article 29 contains more provisions on the conditions for CET1 capital instruments issued by institutions established in another form than a limited liability company
 - The conditions for capital instruments to qualify as Additional Tier 1 (AT1) are provided in Article 52 of the CRR
 - The conditions for capital instruments to qualify as Tier 2 (T2) are provided in Article 63 of the CRR.
- (16) Chapter 12 of the Limited Liability Companies Act also contains specific provisions on capital loans. In accordance with chapter 12, section 1, subsection 2, the principal of a capital loan may be repaid and interest paid only insofar as the sum total of the non-restricted equity and all of the capital loans of the company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements. In accordance with chapter 12, section 2, subsection 1 of the Limited Liability Companies Act, change in the terms of the loan shall be invalid, if it is contrary to section 1, subsection 1 of the same chapter.

GUIDELINE (paragraphs 17–18)

- (17) Since in accordance with Article 28, paragraph 1, subparagraph h) and Article 52, paragraph 1, subparagraph l) of the EU CRR, the principal of CET1 and AT1 capital instruments may be paid only out of distributable items, a capital loan referred to in the Limited Liability Companies Act cannot, in accordance with FIN-FSA's interpretation, be classified as Common Equity Tier 1 (CET1) or Additional Tier 1 (AT1) capital.
- (18) In order that capital instruments could qualify as own funds, FIN-FSA recommends that supervised entities established as limited liability companies only issue such capital instruments meeting the conditions of the Limited Liability Companies Act and the Co-operatives Act that also meet the conditions provided in the CRR.

¹ Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (OJ L 74/8, 14.3.2014).



4.2 Transitional provisions

4.2.1 Satisfying the conditions for own funds

REGULATION (paragraph 19)

- (19) By virtue of Article 465, paragraph 2 of the CRR, FIN-FSA rules that supervised entities shall maintain a Common Equity Tier 1 (CET1) level of 4.5% and Tier 1 capital level of 6%.

4.2.2 Treatment of unrealised losses measured at fair value

REGULATION (paragraph 20)

- (20) By virtue of Article 467, paragraph 3 of the CRR, FIN-FSA rules that, in the calculation of Common Equity Tier 1 items, the applicable percentage of unrealised losses related to assets or liabilities measured at fair value and reported on the balance sheet, shall be 100% during the period from 1 January 2014 to 31 December 2017.

4.2.3 Treatment of unrealised gains measured at fair value

REGULATION (paragraph 21)

- (21) By virtue of Article 468, paragraph 3 of the CRR, FIN-FSA rules that, in the calculation of Common Equity Tier 1 items, the applicable percentage of unrealised gains related to assets or liabilities measured at fair value and reported on the balance sheet, shall be 100% during the period from 1 January 2015 to 31 December 2017.²

4.2.4 Applicable percentages of deduction for Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) capital

REGULATION (paragraph 22)

- (22) By virtue of Article 478, paragraph 3 of the CRR, FIN-FSA rules that the applicable percentage of deduction for items deducted from CET1, AT1 and T2 items shall be 100% during the period from 1 January 2014 to 31 December 2017. Items referred to in Article 478, paragraph 2 shall be subject to a percentage of 100% during the period from 1 January 2014 to 31 December 2023. (*Issued 13.4.2015, valid from 30.4.2015*)

4.2.5 Inclusion of other instruments and items than minority interest in consolidated Common Equity Tier 1 (CET1)

REGULATION (paragraphs 23–24)

- (23) By virtue of Article 479, paragraph 1 of the CRR, FIN-FSA rules that the items under subparagraph a) of the said paragraph may be included in the consolidated Common Equity Tier 1 (CET1) capital during the period from 1 January 2014 to 31 December 2017

² Exception under Article 468, paragraph 2, subparagraph 2 of the CRR to allow inclusion when also unrealised losses are included in Common Equity Tier 1 (CET1) in accordance with Article 467.

applying the following percentages at the maximum (*Issued 13.4.2015, valid from 30.4.2015*):

- 80% for the period from 1 January 2014 to 31 December 2014
- 60% for the period from 1 January 2015 to 31 December 2015
- 40% for the period from 1 January 2016 to 31 December 2016
- 20% for the period from 1 January 2017 to 31 December 2017.

(24) To items referred to in Article 479, paragraph 1, subparagraphs b)–d) of the CRR, 0% shall be applied during the period from 1 January 2014 to 31 December 2017.

4.2.6 Inclusion, in consolidated own funds, of minority interest and Additional Tier 1 (AT1) and Tier 2 (T2) capital instruments issued by subsidiaries

REGULATION (paragraph 25)

(25) By virtue of Article 480, paragraph 3 of the CRR, FIN-FSA rules that the factor referred to in paragraph 2 of the same Article shall be at the minimum

- 0.2 for the period from 1 January 2014 to 31 December 2014
- 0.4 for the period from 1 January 2015 to 31 December 2015
- 0.6 for the period from 1 January 2016 to 31 December 2016
- 0.8 for the period from 1 January 2017 to 31 December 2017.

4.2.7 Additional filters and deductions

REGULATION (paragraphs 26)

(26) By virtue of Article 481, paragraph 5 of the CRR, FIN-FSA rules that a percentage of 0% shall be applied to the filters and deductions referred to in paragraph 1 of the same Article during the period from 1 January 2014 to 31 December 2017.

4.2.8 Grandfathering of old capital instruments and items

(27) In accordance with Article 484, paragraph 1 of the CRR, old capital instruments shall only refer to capital instruments and other equity items that were issued or that constituted part of the own funds before 31 December 2011 and which are not the instruments referred to in Article 483, paragraph 1 involving government aid.

REGULATION (paragraphs 28–30)

(28) By virtue of Article 486, paragraph 6 of the CRR, FIN-FSA rules that the items referred to in paragraph 2 of the same Article and on 31 December 2012 classified as non-restricted original own funds (Core Tier 1) may be recognised as Common Equity Tier 1 (CET1) capital applying the following percentages at the maximum:

- 80% for the period from 1 January 2014 to 31 December 2014
- 70% for the period from 1 January 2015 to 31 December 2015
- 60% for the period from 1 January 2016 to 31 December 2016
- 50% for the period from 1 January 2017 to 31 December 2017

- 40% for the period from 1 January 2018 to 31 December 2018
- 30% for the period from 1 January 2019 to 31 December 2019
- 20% for the period from 1 January 2020 to 31 December 2020
- 10% for the period from 1 January 2021 to 31 December 2021.

(29) By virtue of Article 486, paragraph 6 of the CRR, FIN-FSA rules that the items referred to in paragraph 3 of the same Article and on 31 December 2012 classified as restricted original own funds may be recognised as Additional Tier 1 (AT1) capital applying the following percentages at the maximum:

- 80% for the period from 1 January 2014 to 31 December 2014
- 70% for the period from 1 January 2015 to 31 December 2015
- 60% for the period from 1 January 2016 to 31 December 2016
- 50% for the period from 1 January 2017 to 31 December 2017
- 40% for the period from 1 January 2018 to 31 December 2018
- 30% for the period from 1 January 2019 to 31 December 2019
- 20% for the period from 1 January 2020 to 31 December 2020
- 10% for the period from 1 January 2021 to 31 December 2021.

(30) By virtue of Article 486, paragraph 6 of the CRR, FIN-FSA rules that the items referred to in paragraph 4 of the same Article and on 31 December 2012 classified as additional own funds may be recognised as Tier 2 (T2) capital applying the following percentages at the maximum:

- 80% for the period from 1 January 2014 to 31 December 2014
- 70% for the period from 1 January 2015 to 31 December 2015
- 60% for the period from 1 January 2016 to 31 December 2016
- 50% for the period from 1 January 2017 to 31 December 2017
- 40% for the period from 1 January 2018 to 31 December 2018
- 30% for the period from 1 January 2019 to 31 December 2019
- 20% for the period from 1 January 2020 to 31 December 2020
- 10% for the period from 1 January 2021 to 31 December 2021.

5

Capital requirements for credit risk under the standardised approach

5.1 Definitions

- (1) In this chapter, assets refer to balance sheet items, investments and off-balance sheet items.

5.2 Exposure classes

5.2.1 Exposures to central governments or central banks

GUIDELINE (paragraphs 2–4)

- (2) In accordance with FIN-FSA's interpretation, in Finland assets referred to in Article 114 of the CRR mean exposures to:
- the Finnish government
 - Finnish government enterprises
 - the Social Insurance Institution.
- (Issued 13.4.2015, valid from 30.4.2015)*
- (3) In accordance with FIN-FSA's interpretation, Finnish government enterprises referred to in paragraph (2) comprise Senate Properties and Metsähallitus (the Forest Board). The operations of the Forest Board are governed by the repealed State Enterprise Act (1185/2002) until otherwise provided as regards the Forest Board. *(Issued 4.12.2014, valid from 31.12.2014)*
- (4) In accordance with FIN-FSA's interpretation, exposures to unincorporated state enterprises do not fall within the scope of Article 114 of the CRR, but they are included in exposures to corporates.

5.2.2 Exposures to regional governments or local authorities

GUIDELINE (paragraphs 5–6)

- (5) In accordance with FIN-FSA's interpretation, the following exposures can under Article 115 of the CRR be treated similarly to exposures to the central government:
- exposures to Finnish municipalities and municipal federations
 - exposures to municipal pension institutions referred to in the Municipal Pensions Act
 - exposures to the province of Åland
 - exposures to the Helsinki Region Environmental Services Authority municipal federation *(Issued 20.2.2017, valid from 1.3.2017)*

- (6) In accordance with FIN-FSA's interpretation, under Article 115 of the CRR, exposures to religious communities belonging to a church authorised to raise taxes in accordance with legislation conferring on them the right to do so, shall be treated as exposures to regional governments and local authorities. *(Issued 4.12.2014, valid from 31.12.2014)*

5.2.3 Exposures to public sector entities

GUIDELINE (paragraphs 7–9)

- (7) In accordance with FIN-FSA's interpretation, exposures to the Unemployment Insurance Fund (TVR) shall be treated as exposures to public sector entities referred to in Article 116 of the CRR.
- (8) In accordance with FIN-FSA's interpretation, exposures to universities shall be treated as exposures to public sector entities referred to in Article 116 of the CRR.
- (9) Under Article 116, paragraph 4 of the CRR, exposures to public sector entities may in certain circumstances be treated as exposures to the central government. In accordance with FIN-FSA's interpretation, the Municipal Guarantee Board is a public sector entity whose exposures can be treated as exposures to the central government.

5.2.4 Exposures to credit institutions and investment firms

GUIDELINE (paragraphs 10–11)

- (10) In accordance with FIN-FSA's interpretation, also the following items can be included in exposures to credit institutions and investment firms as referred to in Article 199 of the CRR:
- Exposures to the deposit insurance funds of Finnish deposit banks, the Deposit Guarantee Fund and the Investors' Compensation Fund
 - Exposures to the registration fund of the central securities depository referred to in chapter 6, section 9 of the Act on the Book-Entry System and Clearing Operations. The activities of the registration fund are considered to correspond to deposit banks' deposit insurance funds and the Deposit Guarantee Fund
 - Exposures to the clearing fund of the central securities depository referred to in chapter 3, section 3 of the Act on the Book-Entry System and Clearing Operations
 - Exposures to fund management companies providing services referred to in chapter 2, section 5, subsection 2 of the Mutual Funds Act (management companies engaged in asset management) and deemed comparable to investment firms
 - Exposures to exchanges referred to in the Securities Markets Act, exposures to the central securities depository referred to in the Act on the Book-Entry System and Clearing Operations.
- (11) In accordance with FIN-FSA's interpretation, exposures to Municipal Finance are included in exposures under Article 119 of the CRR to credit institutions and investment firms. The risk weights of bonds issued by Municipal Finance are determined on the basis of the risk

weight of the Finnish government, since they are guaranteed by the Municipal Guarantee Board. However, this requires that the guarantee satisfies the conditions referred to in Articles 213 and 215 of the CRR.

5.2.5 Retail exposures

GUIDELINE (paragraphs 12–14)

- (12) In accordance with FIN-FSA's interpretation, the reasonable steps referred to in Article 123 of the CRR in the calculation of the EUR 1 million threshold entail that supervised entities should take into account the complexity of the exposures, expenses related to the implementation of the steps and the extent of the impact of the matter on the capital requirement.
- (13) FIN-FSA recommends that supervised entities determine items calculated as retail exposures as follows:
- The conditions for retail exposures set out in Article 123 of the CRR are satisfied
 - The total exposures to one counterparty, referring both to an individual inhabitant and a group of connected clients, do not exceed 0.2% of the total retail exposures, and the supervised entity has ascertained that the retail exposure portfolio does not include sectoral or similar risk exposures.
- (14) When a supervised entity is determining exposures belonging to the retail exposures in accordance with paragraph (13) applying the 0.2% threshold in line with the Basel recommendation, it can be considered sufficient that the supervised entity conducts the calculation on an annual basis based on the information of the last day of December. This entails that the supervised entity determines the total amount of exposures belonging to retail exposures taking into account Article 123, paragraphs a) and c) of the CRR and subsequently removes from this pool any exposures exceeding 0,2% of the total value of the portfolio and finds out any sectoral or similar exposures related to the portfolio. Any exposures qualifying for the portfolio after this shall be treated as retail exposures for the purposes of capital requirements calculation.

5.2.6 Exposures secured by mortgages on residential property

GUIDELINE (paragraphs 15–18)

- (15) In accordance with FIN-FSA's interpretation, Article 125 of the CRR may be applied to the following exposures:
- exposures secured by shares carrying entitlement to a right to control an apartment
 - exposures to a housing corporation or mutual real estate companies secured by a pledged apartment owned and controlled by the housing corporation itself
 - exposures secured by a property suitable for year-round use or shares carrying entitlement to a right to control it
 - an exposure or part of an exposure secured by a part related to residential housing belonging to a confirmed pledge on an agricultural property. This requires that the part of an agricultural property intended for residential purposes has been assessed separately.

- (16) In accordance with FIN-FSA's interpretation, exposures to housing corporations or mutual real estate companies secured by confirmed pledges on residential properties owned by the corporation qualify for the application of Article 125 of the CRR. However, the following conditions should be satisfied:
- It is not a corporation yet to be established
 - It is not a corporation with less than 5 shareholders
 - The building is complete and indirectly held by the residents through the housing corporation
 - The supervised entity must ascertain according to its best ability, e.g. through internal guidelines and control that the collateral is not accounted for twice
 - The residential property collateral for exposures to a housing corporation or mutual real estate company satisfies the minimum conditions for residential property collateral and the valuation rules provided on the measurement of residential property collateral.
- (17) FIN-FSA recommends that where the loan of a housing corporation is significant, the supervised entity also assesses the impact of this corporate loan as a factor impairing the value of the share. In determining the value of an individual apartment, the proportion of corporate loan related to the apartment should be deducted from the value of the shares accepted as collateral. The supervised entity should also pay specific attention to the repayment capacity of the owner of an individual apartment, if a corporate loan amounts to a considerable proportion of the collateral (more than 50% of debt-free value).
- (18) In accordance with FIN-FSA's interpretation, exposures secured by a pledged right-of-occupation payment as referred to in the Right-of-Occupancy Housing Act do not satisfy the conditions set out in Article 125 of the CRR.

5.2.7 Exposures in default

- (19) Article 178, paragraph 2, subparagraph d) of the CRR requires that the competent authority defines thresholds for material credit obligations past due.

REGULATION³ (paragraph 20)

- (20) The threshold referred to in paragraph (19) is the same regardless of whether the supervised entity applies the standardised approach or internal ratings-based approach in the calculation of capital requirements for credit risk. The threshold is defined in chapter 6.6 of this regulation.

³ See Chapter 12, Transitional provisions and entry into force

6 Capital requirements for credit risk under the internal ratings based approach

6.1 IRBA abbreviations

(1) The following abbreviations are used in this chapter:

- IRBA Internal Ratings Based Approach
- FIRB Foundation Internal Ratings Based Approach
- AIRB Advanced Internal Ratings Based Approach
- PD Probability of Default
- LGD Loss-Given-Default
- EAD Exposure At Default
- CF Conversion Factor

6.2 Permission to apply the IRB approach

(2) In accordance with Article 107 of the CRR, a supervised entity shall apply the Standardised Approach to calculate their capital requirements for credit risk, if it has not received permission of a competent authority to apply the IRBA.

GUIDELINE (paragraphs 3–5)

- (3) FIN-FSA recommends that particularly larger supervised entities seek to enhance their credit risk measurement methods on the basis of the IRBA.
- (4) FIN-FSA recommends that in developing their proprietary credit rating systems supervised entities consider the CEBS's guidelines "Guidelines on the implementation, validation and assessment of Advanced Measurement and Internal Ratings Based Approaches". A supervised entity wishing to adopt the IRBA should follow the application instructions attached to this regulation (Appendix 1).
- (5) For processing the application for a permission, FIN-FSA will charge the supervised entity a fee in accordance with the corresponding list fee.

6.3 Sequential implementation of the IRBA

- (6) In accordance with Article 148, paragraph 2 of the CRR, competent authorities shall determine the implementation period over which a supervised entity shall be required to implement the IRB Approach for all exposures, excluding items permanently excluded from the IRBA.

REGULATION⁴ (paragraphs 7–8)

- (7) By virtue of Article 148, paragraph 2 of the CRR, FIN-FSA rules that the duration of the implementation period shall not exceed three years.
- (8) A supervised entity may apply an implementation period of up to three years in migrating from the FIRB to the AIRB.

6.4 Ongoing supervision

- (9) FIN-FSA on a regular basis at intervals of maximum three years supervises that supervised entities permitted to apply the IRBA continuously satisfy the conditions of the permission and that the approaches are otherwise sufficient and appropriate particularly considering any changes in the activities of the credit institution.

GUIDELINE (paragraphs 10–11)

- (10) FIN-FSA considers that it, for the purposes of its supervisory duty, needs the documents listed in an appendix to this regulation (Appendix 2). The documents listed in the appendix shall be submitted to FIN-FSA at its specific request. In addition to the documents indicated in the appendix, FIN-FSA may request other analyses and reports from the supervised entities where necessary.
- (11) The frequency of the ongoing supervision by FIN-FSA depends on the volume of the supervised entity's credit portfolio, the complexity of its rating systems, changes in the rating systems and the materiality of defects found out during supervision.

6.5 Changes in the rating system

- (12) In accordance with Article 143, paragraph 3 of the CRR, supervised entities shall obtain a prior permission by FIN-FSA for making material changes or extensions. In accordance with Article 143, paragraph 4, all changes to rating systems shall be notified to FIN-FSA.

6.6 Definition of default

- (13) Article 178, paragraph 2, subparagraph d) of the CRR requires that the competent authority defines a threshold for a material credit obligation past due. Items below the threshold and past due more than 90 days are not material and therefore shall not trigger default.

⁴ See Chapter 12, Transitional provisions and entry into force

REGULATION (paragraphs 14–15)

- (14) By virtue of Article 178, paragraph 2, subparagraph d) of the CRR, FIN-FSA rules that an obligation under EUR 100 qualifying as a retail exposure shall not be deemed a material credit obligation even if it has been past due for more than 90 days. A supervised entity may derogate from this threshold and also determine a higher threshold for retail exposures based on its own reports and analyses.
- (15) Neither is a credit obligation below EUR 1,000 qualifying as exposure to corporates, credit institutions or central government deemed material, even when it has been due for more than 90 days. However, supervised entities must analyse this threshold and they may, on the basis of their internal analyses, derogate from the threshold of EUR 1,000 and determine another threshold in their internal instructions, which, however, must not be below a threshold of EUR 100.

6.7 Loss Given Default (LGD)

- (16) In accordance with Article 5, paragraph 2 of the CRR, in the context of loss-given-default, “loss” refers to economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.⁵

GUIDELINE (paragraphs 17–21)

- (17) In accordance with FIN-FSA’s interpretation, supervised entities should gather all information and material indicated in Article 5, paragraph 2 of the CRR and necessary for the calculation of economic loss.
- (18) Article 178 of the CRR provides a definition of default and Article 5, paragraph 2 provides for loss. In accordance with FIN-FSA’s interpretation, LGD shall be based on definitions of default and loss consistent with these Articles of the CRR.
- (19) In accordance with FIN-FSA’s interpretation, supervised entities shall distinguish realised LGD under Article 185, paragraph b) of the CRR from the estimated LGD under Article 181 of the CRR used in the calculation of risk weights.
- (20) In accordance with FIN-FSA’s interpretation, realised LGD under Article 185, paragraph b) of the CRR may in certain circumstances be zero, for example where a counterparty or exposure has revived without giving rise to a loss. However, where the estimated LGD under Article 181 of the CRR is low or zero, the supervised entity should justify the appropriateness and accuracy of its estimation process and provide concrete evidence that it has accounted for all the factors necessary, including, but not limited to, cash flows from the realisation of collateral receivable at different times, the discount rate, estimated collateral value and the cost of collection. Only in well justified, exceptional circumstances, the estimated LGD may be zero.
- (21) In accordance with FIN-FSA’s interpretation, the estimated LGD under Article 181 of the CRR may not be below zero.

⁵ Guidelines (17-20) are based on the CEBS document “Guidelines on the implementation, validation and assessment of Advanced Measurement and Internal Ratings Based Approaches”



7 Credit risk mitigation techniques

7.1 Sovereign and other public sector counter-guarantees

- (1) In accordance with Article 214, paragraph 2 of the CRR, the treatment established in paragraph 1 of the same Article shall apply to exposures protected by a guarantee which is counter-guaranteed by central government or central bank (subparagraph a).
- (2) Finnvera Plc is a specialised financial institution whose activities are governed by the Act on the State-Owned Specialised Financing Company and the Act on Credit, Guarantee and Capital Investment Operations Provided by the State-Owned Specialised Financing Company. These Acts provide that the responsibility of the state for Finnvera Plc's commitments is a direct commitment comparable to an absolute guarantee.
- (3) In accordance with the further requirements set out in Article 215, paragraphs 1 and 2 of the CRR, guarantees and counter-guarantees by entities listed in Article 214 qualify as eligible unfunded credit protection, where the relieved requirements referred to in Article 214, paragraph 2, subparagraphs a) and b) are satisfied.

GUIDELINE (paragraphs 4–6)

- (4) In accordance with FIN-FSA's interpretation, the Finnish government shall be deemed a central government referred to in Article 214, paragraph 2, subparagraph a) of the CRR.
- (5) In accordance with FIN-FSA's interpretation, a guarantee provided by Finnvera Plc qualifies as an eligible unfunded credit protection as referred to in Article 197 of the CRR and similar to a guarantee provided by the Finnish government insofar as the guarantee provided by Finnvera Plc satisfies the other conditions set out in Articles 213 and 215 of the CRR.
- (6) In accordance with FIN-FSA's interpretation, supplementary guarantees provided by the Finnish government and municipalities qualify as mitigating credit risk in capital requirements calculation insofar as they, in addition to the general provisions of Article 213 of the CRR, satisfy the specific conditions set out in Article 214, paragraph 2, subparagraphs a) and b).

8

Capital requirements for market risk

8.1 Guidance by the European Banking Authority EBA

- (1) On 16 May 2012, the EBA issued Guidelines on the Incremental Default and Migration Risk Charge (IRC) and Guidelines on Stressed VaR Calculation.

GUIDELINE (paragraph 2)

- (2) FIN-FSA recommends that supervised entities observe the EBA Guidelines stated in paragraph (1) in a manner consistent with the nature and quality of their operations and feasible with reasonable efforts. FIN-FSA considers the EBA Guidelines the starting point of its supervision.
- (3) On 11 October 2016, the EBA issued Guidelines on corrections to modified duration for debt instruments, in accordance with Article 340(3)(2) of Regulation (EU) No 575/2013.

GUIDELINE (paragraph 4)

- (4) FIN-FSA recommends that supervised entities observe the EBA Guidelines stated in paragraph (3) on corrections to modified duration for debt instruments (*Issued 20.2.2017, valid from 1.3.2017*).

8.2 Maturity-based calculation of commodity risk

GUIDELINE (paragraph 5)

- (5) An example of calculation of the own funds requirement for commodity risk in accordance with Article 359 of the CRR using the maturity-based approach for a single commodity:

Maturity band	Positions		Calculation	Own funds requirement	Explanation
	Long	Short			
1	50	150	$50 \times 3,0 \% =$ $1 \times 50 \times 0,6 \% =$ $3 \times 50 \times 0,6 \% =$	1,5 0,3 0,9	Netting within band 1 Transfer from band 1 to band 2

					Transfer from band 1 to band 4
2	50	0	$50 \times 3,0 \% =$	1,5	Netting between bands 1 and 2
3	0	40	$1 \times 40 \times 0,6 \% =$	0,24	Transfer from band 3 to band 4
4	100		$50 \times 3,0 \% =$ $40 \times 3,0 \% =$ $10 \times 15 \% =$	1,5 1,2 1,5	Netting between bands 1 and 4 Netting between bands 3 and 4 Final open position
5					
6					
7					
Total own funds requirement				8,64	

9

Capital requirement for securitisation

9.1 Guidelines of the European Banking Authority

- (1) On 7 July 2014, the EBA has issued guidelines on assessment of significant credit risk transfer in securitisation transactions.

GUIDELINE (paragraph 2)

- (2) FIN-FSA recommends that supervised entities comply with the EBA guidelines referred to in paragraph (1) insofar as they apply to a supervised entity as the initiator of a security transaction. FIN-FSA considers the guidelines as the basis of its supervision. *(Issued 4.12.2014, valid from 31.12.2014)*
- (3) On 24 November 2016, the EBA issued Guidelines on implicit support for securitisation transactions.

GUIDELINE (paragraph 4)

- (4) FIN-FSA recommends that sponsor institutions and originator institutions comply with the EBA Guidelines referred to in paragraph (3) on support provided to securitisations beyond their contractual obligations *(Issued 20.2.2017, valid from 1.3.2017)*.

10 Capital requirements for operational risk

10.1 Permission to adopt different calculation approaches

- (1) Article 312 of the CRR provides the general preconditions for adopting different calculation methods.
- (2) The use of different calculation approaches as a combination is provided for in Article 314 of the CRR.
- (3) If a supervised entity adopts the standardised approach, an alternative standardised approach or an advanced approach, it may revert to the method with less accurate measurement of operational risk only when the conditions listed in Article 313 of the CRR are satisfied.
- (4) The capital requirements for operational risk under this chapter is not applicable to investment firms referred to in Articles 95 and 96 of the CRR. The own funds requirements for these investment firms is partly based on the fixed overheads referred to in Article 97 of the CRR.
- (5) In addition to these regulations and guidelines, regulations and guidelines related to internal control and operational risk management are provided in the following FIN-FSA standards and regulations and guidelines:
 - Standard 4.1 Internal control arrangements
 - Standard 4.4b Management of operational risk
 - Regulations and guidelines 8/2014 Management of operational risk in supervised entities of the financial sector. (*Issued 13.4.2015, valid from 30.4.2015*)

10.1.1 Basic Indicator Approach

GUIDELINE (paragraph 6)

- (6) For a supervised entity applying the basic indicator approach, the capital requirement for operational risk is calculated in accordance with Articles 315 and 316 of the CRR.

10.1.2 Standardised approach

GUIDELINE (paragraphs 7–8)

- (7) In accordance with Article 312, paragraph 1 of the CRR, a supervised entity may apply the standardised approach, if it in addition to the provisions of chapter 9, section 16 of the Credit Institutions Act satisfies the criteria set out in Article 320 of the CRR and has, prior to the implementation of the standardised approach, submitted to FIN-FSA a notification as prescribed in Appendix 3 of these regulations and guidelines.
- (8) For a supervised entity applying the standardised approach, the capital requirement for operational risk is calculated in accordance with Articles 317 and 318 of the CRR. The relevant risk indicator is defined in Article 316.

10.1.3 Alternative standardised approach

GUIDELINE (paragraphs 9–11)

- (9) In accordance with Article 312, paragraph 1 of the CRR, FIN-FSA may permit a supervised entity to use an alternative relevant indicator for the business lines of retail banking and commercial banking where the conditions set out in Articles 319, paragraph 2, and 320 are met.
- (10) FIN-FSA recommends that a supervised entity wishing to adopt an alternative standardised approach should follow the notification procedure described in Appendix 3 of these regulations and guidelines.
- (11) For a supervised entity applying an alternative standardised approach, the capital requirement for operational risk is calculated in accordance with Article 319 of the CRR. The relevant risk indicator is defined in Article 316.

10.1.4 Advanced approach

GUIDELINE (paragraphs 12–15)

- (12) In accordance with Article 312, paragraph 2 of the CRR, a supervised entity may adopt an advanced approach in the calculation of capital requirements for operational risk if it has been permitted by FIN-FSA to apply this approach. FIN-FSA may grant the permission where all the qualitative and quantitative standards set out in Articles 321 and 322 of the CRR respectively are met and where the supervised entity meets the general risk management standards set out in chapter 9, section 16 of the Credit Institutions Act.
- (13) The impact of insurance and other risk transfer mechanisms on the capital requirements is provided for in Article 323 of the CRR. In accordance with FIN-FSA's interpretation, the outsourcing of activities to an external party cannot be considered a risk transfer mechanism in this context.
- (14) In accordance with Article 312, paragraph 2 of the CRR, supervised entities shall apply for permission from FIN-FSA for any material extensions and changes to advanced measurement approaches. In accordance with Article 312, paragraph 3 of the CRR, supervised entities shall notify FIN-FSA of all changes to their advanced measurement approaches.

- (15) The application procedure related to the advanced approach is described in Appendix 3 of these regulations and guidelines.

11 Large exposures

11.1 Guidelines on large exposures

- (1) In December 2009, the Committee of European Banking Supervisors (CEBS) issued a guideline on the revised provisions for the calculation of large exposures regarding the determination of a group of connected clients.

GUIDELINE (paragraphs 2–3)

- (2) FIN-FSA recommends that supervised entities observe the CEBS's guidelines in a manner consistent with the nature and quality of the activities of the supervised entity and feasible with reasonable efforts. FIN-FSA considers the CEBS Guidelines the starting point of its supervision.
- (3) The unknown exposures approach under the CEBS guidelines will not have to be applied in calculating the client risks stemming from the investments of insurance corporations at the level of a financial and insurance conglomerate.
- (4) In December 2015, the European Banking Authority (EBA) issued guidelines on limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework. *(Issued 30.8.2016, valid from 15.9.2016)*

GUIDELINE (paragraph 5)

- (5) FIN-FSA recommends that the supervised entity comply with the EBA guidelines in paragraph 4. *(Issued 30.8.2016, valid from 1.1.2017)*

11.2 Financial and insurance conglomerates' off-balance sheet commitments

- (6) In accordance with Article 389 of the CRR, client risk refers to any assets or off-balance sheet commitments referred to in Part Three, Title II, Chapter 2 of the Regulation.

GUIDELINE (paragraph 7)

- (7) In accordance with FIN-FSA's interpretation, credit and guarantee insurance is comparable to off-balance sheet commitments.

11.3 Reporting of exceeded limits

GUIDELINE (paragraphs 8 - 10)

- (8) The limits to large exposures referred to in Article 395 of the CRR may not be exceeded. However, if exposures exceptionally exceed the limits, the supervised entity must, in accordance with Article 396, paragraph 1 of the CRR report the exposure value to FIN-FSA without delay.
- (9) The supervised entity may submit the excess report to FIN-FSA in a free-format letter or in FIN-FSA's standardised form, which is available on FIN-FSA's website (Regulation – FIN-FSA regulation – Structure of FIN-FSA regulations and guidelines – Capital requirements calculation and large exposures). *(Issued 30.8.2016, issued 15.9.2016)*
- (10) FIN-FSA recommends that the supervised entity in its excess report provides the following information:
- contact information of the reporter
 - date when the exceeding first took place
 - the value of excess
 - the reason for excess
 - plan made by the supervised entity describing the manner and time in which it is able to align its risk exposures with the legal limit. If a plan has already been made in respect of a customer or a customer group, and the plan has not been followed, there shall also be additional information for example on the schedule of the new plan, the planned measures for reducing the exposures and the reasons why the plan failed.

12 Disclosure of capital adequacy information

12.1 Materiality, proprietary nature and confidentiality in relation to disclosure requirements as well as frequency of disclosures

- (1) On 23 December 2014, the European Banking Authority (EBA) published guidelines on disclosure of Pillar 3 information. The guidelines cover the following sub-areas: materiality, proprietary nature and confidentiality of information and frequency of disclosures. With its guidelines, the EBA aims at enhancing consistency and ensuring transparency in disclosure practices. *(Issued 13.4.2015, valid from 30.4.2015)*
- (2) Institutions shall disclose information listed in Part Eight of the EU CRR. In accordance with the EBA's guidelines, institutions shall adopt principles and formal policies on the application of disclosure requirements for assessing materiality of disclosures from the viewpoint of interested parties and what information may be considered proprietary and confidential. In addition, supervised entities shall assess whether disclosures should be made more frequently than once a year. *(Issued 13.4.2015, valid from 30.4.2015)*

GUIDELINE (paragraph 3)

- (3) FIN-FSA recommends that the supervised entities mentioned in chapter 1, paragraph 1 of these regulations and guidelines comply with the EBA guidelines referred to in paragraph 1 of this chapter and available on the address www.finanssivalvonta.fi. *(Issued 13.4.2015, valid from 30.4.2015)*

12.2 Disclosure requirements pertaining to significant subsidiaries of credit institutions or investment firms

- (4) In accordance with Article 13, paragraph 1 of the CRR, EU parent institutions shall comply with the obligations laid down in Part Eight of the CRR on the basis of their consolidated situation. *(Issued 4.12.2014, valid from 31.12.2014)*
- (5) In accordance with Article 13, paragraph 2 of the CRR, institutions controlled by an EU parent financial holding company or EU parent mixed financial holding company shall comply with the obligations laid down in Part Eight of the CRR on the basis of the consolidated situation of that financial holding company or mixed financial holding company. *(Issued 4.12.2014, valid from 31.12.2014)*
- (6) In accordance with Article 13, paragraphs 1 and 2 of the CRR, significant subsidiaries of EU parent institutions and those subsidiaries which are of material significance for their local market shall disclose the information specified in Articles 437, 438, 440, 442, 450,

451 and 453, on an individual or sub-consolidated basis. *(Issued 4.12.2014, valid from 31.12.2014)*

- (7) A competent authority shall provide information on the criteria it applies to assess the significance of a subsidiary. Provisions on the criteria have been given in Annex 1, Part 5 of the following regulation: Commission Implementing Regulation (EU) No 650/2014 of 4 June 2014 laying down implementing technical standards with regard to the format, structure, contents list and annual publication date of the information to be disclosed by competent authorities in accordance with Directive 2013/36/EU of the European Parliament and of the Council; OJ L 185, 25.6.2014, p. 1. *(Issued 13.4.2015, valid from 30.4.2015)*

REGULATION (paragraphs 8–9)

- (8) A subsidiary credit institution or investment firm shall be considered significant, if the share of its balance sheet total or, if the information is disclosed on the basis of consolidated capital adequacy, the share of the subsidiary credit institution's or investment firm's consolidated balance sheet total forms at least 10% of the parent company's consolidated balance sheet total. *(Issued 4.12.2014, valid from 31.12.2014)*
- (9) Requirements pertaining to significant subsidiaries do not apply to a Finnish sub-consolidation group's parent company whose Finnish parent company shall disclose consolidated capital adequacy information. *(Issued 4.12.2014, valid from 31.12.2014)*

13 Repealed regulations and guidelines

Upon entry into force, these regulations and guidelines shall repeal the following FIN-FSA standards:

- 4.3a Own funds and their minimum
- 4.3c Capital requirements for credit risk under the standardised approach
- 4.3d Capital requirements for credit risk under the internal ratings based approach
- 4.3e Credit risk mitigation techniques under the standardised approach for credit risk
- 4.3f Credit risk mitigating techniques under the Internal Ratings Based Approach
- 4.3g Capital requirements for market risk
- 4.3h Capital requirements for securitisation
- 4.3i Capital requirements for operational risk
- 4.3j Conditions for approving rating agencies' ratings in capital requirements calculation
- 4.3k Capital requirements for counterparty risk
- 4.5 Disclosure of capital adequacy information to the market
- RA4.1 Reporting of large exposures.

14 Revision history

These regulations and guidelines have been amended after their entry into force as follows:

Issued 4.12.2014, valid from 31.12.2014:

- *missing legislation numbering added in section 2.1*
- *new international recommendations added in section 2.5*
- *paragraph (2) supplemented and paragraph (4) added in section 4.1.1*
- *paragraph (6) supplemented in section 4.1.2*
- *paragraphs (9) and (10) added and paragraph (12) supplemented in section 4.1.3*
- *paragraph (3) of section 5.2.1 technically amended*
- *paragraph (5) of section 5.2.2 amended*
- *new chapter 9 Capital requirement for securitisation added*
- *new chapter 13 Disclosure of capital adequacy information added.*

Issued 13.4.2015, valid from 30.4.2015:

- *paragraphs (1), (2) and (3) in new section 13.1 added*
- *new international recommendation in section 2.5 added*
- *technical changes in chapters 2, 4, 5 and 10 carried out.*

Issued 30.8.2016, valid from 15.9.2016, except for chapter 11 paragraph (5), which enters into force on 1 January 2017

- *new international recommendation has been added in section 2.5*
- *paragraphs (10) and (11) added in section 4.1.3*
- *paragraphs (4) and (5) added and paragraph (9) supplemented in chapter 11*
- *chapter 12 deleted.*

Issued 20.2.2017, valid from 1.3.2017:

- *paragraph (5) supplemented in section 5.2.2*
- *new international recommendations added to paragraphs (2) and (3) of section 2.5*
- *paragraphs (2) and (3) added to section 8.1*
- *paragraphs (3) and (4) added to section 9.1.*

15 Appendices

These regulations and guidelines are related to the following appendices:

- (1) Appendices to chapter 6: "Capital requirements for credit risk under the internal ratings based approach":
 - Appendix 1: Instructions for application to calculate capital requirements with an Internal Ratings Based Approach (IRBA) and the sub-appendices to the appendix: sub-appendix 1 "Contents of the application", sub-appendix 2 "Intention to apply for permission to adopt the Internal Ratings Based Approach", sub-appendix 3 "Basic Information" (only in Finnish)
 - Appendix 2 "Ongoing IRBA supervision" (only in Finnish)
- (2) Appendix to chapter 10 "Capital requirements for operational risk"
 - Appendix 3: "Notification and application procedures" (only in Finnish)