

# Regulations and guidelines 1/2014

## Risk reporting by credit institutions

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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.

[Fin-fsa.fi > Regulation > FIN-FSA regulations > New set of regulations](#)

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# 1 Scope of application and definitions

## 1.1 Scope of application

- (1) These regulations and guidelines shall apply to the following supervised entities and foreign supervised entities referred to in the Act on the Financial Supervisory Authority, listed by risk area.
- (2) Credit risk report State of the banking system (S):
  - credit institutions that are deposit banks as referred to in chapter 1, section 8 of the Credit Institutions Act
  - branches of foreign credit institutions with deposit bank operations in Finland
  - central bodies of an amalgamation of deposit banks.
- (3) Interest rate risk (R):
  - credit institutions that are deposit banks as referred to in chapter 1, section 8 of the Credit Institutions Act
  - central bodies of an amalgamation of deposit banks.
- (4) Reporting of largest counterparties (V):

credit institutions that are deposit banks as referred to in chapter 1, section 8 of the Credit Institutions Act and

  - whose total assets are higher or equivalent to EUR 1 billion, or
  - whose debt securities eligible for central bank refinancing exceed or are equivalent to EUR 100 million, or
  - credit institutions as referred to in section 4.4.1, paragraph (32).
- (5) Loan-to-value report (LTC):
  - credit institutions
  - Finnish branches of foreign credit institutions authorised in an EEA country
  - Finnish branches of foreign credit institutions authorised in a non-EEA country (branches of third country credit institutions)
  - foreign credit institutions authorised in an EEA country and providing services in Finland without setting up a branch office.

## 1.2 Definitions

(6) For the purpose of these regulations and guidelines, the following definitions shall apply:

- *Supervised entity* means entities that fall within the scope of application of these regulations and guidelines, as defined in section 1.1 above.
- *Counterparty* means, in these regulations and guidelines, a group of connected clients, as referred to in Article 4(1)(39) of the EU's Capital Requirements Regulation
- *Loan-to-value ratio* means, as referred to in chapter 15, section 11 of the Credit Institutions Act, the loan amount granted in relation to the current value of the collateral security lodged as security for the loan at the time of granting of the loan.
- *Reporting date* means the dates 31 March; 30 June; 30 September and 31 December.

# 2 Legal framework

## 2.1 Legislation

These regulations and guidelines are related to the following acts:

- Credit Institutions Act (610/2014),
- Consumer Protection Act (38/1978).

## 2.2 EU Regulation

These regulations and guidelines are related to the following directly applicable EU regulations:

- 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, p. 1 (hereinafter also EU's Capital Requirements Regulation).
- These regulations and guidelines are related to the following directly applicable Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (Text with EEA relevance); OJ No L191, p.1 (hereinafter Commission Implementing Regulation).

## 2.3 FIN-FSA's regulatory powers

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

- Section 18, subsection 2, and section 60, subsection 5 of the Act on the Financial Supervisory Authority (878/2008).

# 3 Objectives

## 3.1 Objectives of the regulations and guidelines

- (1) These regulations and guidelines define supervised entities' reporting obligations in respect of credit risk, interest rate risk and the reporting of largest counterparties.
- (2) The objective of these regulations and guidelines is to ensure that FIN-FSA can acquire information on supervised entities' credit risk and interest rate risk position, supervised entities' claims on their largest credit institution and non-financial corporation counterparties, and the loan-to-value ratios of housing loans granted by supervised entities. Provisions are necessary to protect the public e.g. from the risk of losing repayable funds and to safeguard the reliability and stability of the banking system.
- (3) Credit risks are significant risks to which supervised entities with banking operations are exposed. Supervised entities' credit risk management and control are of major importance for ensuring capital adequacy in relation to operational risks and any losses resulting from materialisation of such risks.
- (4) The objective of interest rate risk reporting is to ensure that FIN-FSA can acquire information on supervised entities' interest rate risk position. Legislation on credit institutions requires that credit institutions not take such risks in their operations as could essentially jeopardise the credit institution's capital adequacy or liquidity.
- (5) Reporting of largest counterparties is used to assess supervised entities' and the Finnish financial market's sensitivity to micro and macroeconomic shocks in the markets. Banking sector assessments focus on systemic risks, i.e. contagion of shocks between supervised entities, and possible foreign channels of contagion. Assessments of supervised entities focus on the effects on financial positions of supervised entities of the bankruptcy of an individual counterparty and, for example, problems in the key sectors of the economy.
- (6) The objective of reporting on the loan-to-value ratio is to ensure that FIN-FSA can acquire information on the loan-to-value ratios of residential mortgage loans granted by supervised entities. The Credit Institutions Act requires that supervised entities not grant residential mortgage loans larger than as prescribed in chapter 15, section 11 of the Credit Institutions Act.

# 4 Reporting to FIN-FSA

- (1) Under section 18, subsection 2 of the Act on the Financial Supervisory Authority, FIN-FSA may issue regulations on the regular provision to FIN-FSA of information on a supervised entity's financial position, ownership, internal control and risk management, members of administrative and supervisory bodies, employees and places of business, as well as information necessary for the performance of the tasks referred to in section 3, subsection 3, paragraphs 3–5. The regulations in question are found in sections 4.2–4.4.
- (2) Under section 60, subsection 5 of the Act on the Financial Supervisory Authority, FIN-FSA may issue foreign EEA branches regulations on the regular reporting of such information to FIN-FSA as is necessary for the discharge of the duties referred to in section 3, subsection 3, paragraphs 3 and 5. The regulations in question are found in sections 4.2–4.4.
- (3) Under section 60, subsection 4 of the Act on the Financial Supervisory Authority, FIN-FSA has the right to obtain any information necessary for the performance of the duties provided for in the Act on the Financial Supervisory Authority and elsewhere in law from foreign supervised entities providing services in Finland without establishing a branch.

## 4.1 Contents of the reports

- (4) The State of the banking system S report (*table S01F*) is the credit risk report. Table S01F includes information on the supervised entity's total exposures, overdue and nonperforming assets as well as impairment losses from the housing corporation sector and private domestic housing companies. (*Issued on 2 May 2018, valid from 1 June 2018*).
- (5) The information in interest rate reports (R) is used to monitor credit institutions' interest rate risk. The collection of data comprises the assets and liabilities in the supervised entity's balance sheet as well as some off-balance items, by currency and maturity class. In addition, reporting includes information on the interest rate sensitivity of positions.
- (6) Largest counterparties (V) reporting gives FIN-FSA information on supervised entities' claims on their largest credit institution and non-financial corporation counterparties. Information on largest counterparties is reported using forms based on COREP Large exposures reporting and complemented with information necessary for the reporting of systemic risk.
- (7) The loan-to-value report (LTC) is used for monitoring the loan-to-value ratios of the residential mortgage loans granted by supervised entities at the times the loans are granted. The reporting includes loan-specific data, broken down into loans related to the housing to be purchased and the current value of the collateral securities lodged as security for the loan, by type of collateral.





## 4.2 Submission of supervisory information using the S, R and V tables (Issued on 10 January 2017, valid from 1 February 2017)

### REGULATION (paragraphs 8–17)

- (8) Supervised entities must submit to FIN-FSA the S, R and V tables in accordance with the Financial sector's reporting map.
- (9) Amalgamations of deposit banks must, with respect to R tables, report the information referred to in paragraph (8) above on an amalgamation basis (reporting institution category 260).
- (10) Supervised entities must report to FIN-FSA, using the S, R and V tables, the information that is based on information specified in Annex III (FINREP templates), V (Instructions on FINREP), VIII (Large exposures templates) and IX (Instructions on large exposures) of the Commission Implementing Regulation.
- (11) Information provided in the V tables must be reported in accordance with paragraphs (12) to (16) below.
- (12) Supervised entities must report the liabilities of at least the ten largest groups of connected clients included in the non-financial corporation counterparties.
- (13) Supervised entities must report the liabilities as defined in paragraph (11) above on a consolidated basis (reporting institution category 205).
- (14) If the supervised entity is not within the scope of consolidation, the supervised entity must report the above liabilities on a solo basis (reporting institution category 201).
- (15) If the supervised entity has reported the information referred to in paragraph (11) on a consolidated basis, the supervised entity need not report the information on a solo basis.
- (16) The following are not reported as largest counterparties: central government, municipalities, parishes, public non-financial corporations or state church.
- (17) The S and R reports must be submitted on a quarterly basis, as at 31 March, 30 June, 30 September and 31 December. S reports must be submitted to FIN-FSA within 30 business days and the R reports within 20 business days of the reporting date. The reporting lag for the reporting of Largest counterparties, is defined in the guidelines of the COREP reporting framework.

## 4.3 Submission of supervisory information using the LTC table

### REGULATION (paragraphs 18-29)

- (18) Supervised entities must submit to FIN-FSA the LTC table in accordance with the Financial sector's reporting map.
- (19) Supervised entities must report to FIN-FSA, using the LTC table, data that are based on FIN-FSA's Regulation and guideline 3/2015 Calculation of loan-to-value ratio.

- (20) The LTC table must be used for reporting credit as referred to in chapter 7, section 7, subsection 4 of the Consumer Protection Act and that has been granted on or after 1 July 2016 and has not been reported before.
- (21) The loan-to value ratio must be calculated at the time the loan is granted.
- (22) In the LTC table column "Loan identifier", supervised entities must report the contract number or another corresponding loan identifier.
- (23) In the LTC table column 010, supervised entities must report whether the loan was granted for the purchase of a first home, by entering in the column either 1 (=Yes) or 0 (=No).
- (24) In the LTC table column 020, supervised entities must report whether the loan that was granted is a loan whose loan-to-value ratio may be higher than prescribed in chapter 15, section 11, subsections 3 and 4 of the Credit Institutions Act, by entering in the column either 1 (=Yes) or 0 (=No).
- (25) Values in the LTC table columns 030 and 040 must be reported in the form "YYYYMMDD".
- (26) Values in the LTC table columns 090 and 170 must be reported with negative signs.
- (27) Values in the LTC table columns 060, 070, 080, 100, 110, 120, 130, 140, 150, 160, 180, 200, 210 and 220 must be reported with positive signs.
- (28) Values in the LTC table columns 190 and 230 must be reported as percentages without the % sign.
- (29) The LTC report must be submitted on quarterly basis, as at 31 March, 30 June, 30 September and 31 December. The LTC report must be submitted to FIN-FSA within 30 business days of the reporting date.

GUIDELINE (paragraphs 30–31)

- (30) Situations as referred to in paragraph (24), in which the loan-to-value ratio may be higher than prescribed in chapter 15, section 11, subsections 3 and 4 of the Credit Institutions Act, are defined in FIN-FSA Regulations and guidelines 3/2015 Calculation of loan-to-value ratio (section 4.3).
- (31) According to FIN-FSA's interpretation, information collected on the LTC table, as defined in paragraphs (18)–(29) above, are necessary information as referred to in section 60, subsection 4 of the Act on the Financial Supervisory Authority.

#### 4.4 ***Exemption from the obligation to report on largest counterparties***

##### 4.4.1 **Extension of the obligation to report on largest counterparties**

REGULATION (paragraph 32)

- (32) A deposit bank that does not fulfil the conditions stated in section 1.1, paragraph (4), but FIN-FSA considers that the deposit bank:
- is systemically important, or
  - operates as a central monetary institution for other banks, or

- is a possible channel of contagion of external shocks to the Finnish financial markets, or
- is a significant counterparty to other supervised entities

must, upon the request of FIN-FSA, submit the supervisory information using the V tables, in accordance with section 4.2.

#### 4.4.2 Exemption from the obligation to report on largest counterparties

##### REGULATION (paragraphs 33–36)

- (33) FIN-FSA can, upon application by the deposit bank, grant it exemption from the obligation to submit to FIN-FSA electronic supervisory information on the reporting of largest counterparties required in these regulations and guidelines. The supervised entity must apply in writing to FIN-FSA to obtain an exemption.
- (34) An exemption from the reporting obligation is valid until further notice or for a period specified in the exemption. FIN-FSA may return a supervised entity that has been granted an exemption to the scope of application of the reporting obligation if it considers this to be important for the entire market or the supervision of the supervised entity.
- (35) Exemption from the reporting obligation can be granted only if the supervised entity does not have significant concentrations of claims relative to its activities, i.e. the risk of contagion from counterparties can be considered to be minor. If FIN-FSA considers that the supervised entity is a significant counterparty to other supervised entities in terms of risk of contagion, or if the supervised entity's position in the Finnish financial market is for some other reason critical, FIN-FSA will not grant an exemption from the reporting obligation.
- (36) The supervised entity must inform FIN-FSA in writing without undue delay if there are significant changes in facts presented in the application for exemption, or if the supervised entity considers that there has been a substantial increase in its claims or importance in the market after the exemption had been granted.

#### 4.4.3 Exemption from the obligation to report on the state of the banking system and interest rate risk

##### REGULATION (paragraphs 37–39)

- (37) As an exception to that which is specified in paragraph (17), branches of foreign credit institutions with deposit bank operations in Finland must submit to FIN-FSA only the S tables.
- (38) FIN-FSA may, upon application, exempt a branch of a foreign credit institution with deposit bank operations in Finland from the obligation to report on the state of the banking system (S tables) if its lending is limited.
- (39) As an exception to that which is specified in paragraph (17), a supervised entity which is part of an amalgamation of deposit banks must not submit R tables on a solo basis.

#### 4.4.4 Exemption from the obligation to report on loan-to-value ratio

##### REGULATION (paragraph 40)

- (40) Supervised entities must apply in writing from FIN-FSA for exemption from the obligation to report on loan-to-value ratio (LTC table).

##### GUIDELINE (paragraph 41)

- (41) FIN-FSA may exempt a supervised entity from the reporting obligation if its residential mortgage lending in Finland is limited. An exemption is valid until further notice or for a period specified in the exemption.

##### REGULATION (paragraphs 42–43)

- (42) A supervised entity that has been granted exemption from the obligation to report on the loan-to-value ratio must, upon the request of FIN-FSA, submit the supervisory information using the LTC table, in accordance with section 4.3, if FIN-FSA considers the submission of supervisory information to be important for the entire market or the supervision of the supervised entity.
- (43) The supervised entity must inform FIN-FSA in writing without undue delay if there are significant changes in facts presented in the application for exemption, or if the supervised entity considers that there has been a substantial increase in its residential mortgage lending after the exemption had been granted.

#### 4.5 Guidelines on the submission of information for supervisory purposes

##### GUIDELINE (paragraphs 44–46)

- (44) The reporting application for reporting in compliance with these regulations and guidelines and the related instructions on electronic reporting are accessible via the Jakelu Distribution Service (see FIN-FSA's website [www.finanssivalvonta.fi/jakelu](http://www.finanssivalvonta.fi/jakelu)).
- (45) The description of the Financial sector's reporting map preferred to in these regulations and guidelines is available on FIN-FSA's website.
- (46) FIN-FSA recommends that credit institutions that are members of an amalgamation of deposit banks submit their reports referred to in paragraphs (17) and (29) to the central body of the amalgamation of deposit banks, which then submits the member credit banks' aggregate data to FIN-FSA.

#### 4.6 Verification of reported data

##### GUIDELINE (paragraphs 47–48)

- (47) Supervised entities should prepare a declaration on the accuracy of data reported under these regulations and guidelines. The declaration should be dated and signed by both the person preparing the report and the person verifying the data. The signed declaration form should be kept by the supervised entity and presented to FIN-FSA on request. The

supervised entity should draw up the declaration in connection with the first notification, and the declaration should be updated each time changes occur in the process it describes.

- (48) Instructions on preparing the declaration as referred to in paragraph (47) are available on FIN-FSA's website ([www.finanssivalvonta.fi](http://www.finanssivalvonta.fi)), under Regulation.

# 5 Repealed regulations and guidelines

- (1) Upon entry into force, these regulations and guidelines shall repeal the following FIN-FSA standards, as well as regulations and guidelines:
  - FIN-FSA standard RA4.5, Reporting of interest rate risk
  - FIN-FSA standard RA4.6, Reporting of non-performing and zero-interest assets.
  - FIN-FSA standard RA4.7, Reporting of liquidity risk.
- (2) These regulations and guidelines, as of 1 July 2014, repeal FIN-FSA regulations and guidelines 9/2012 Reporting of largest counterparties.

# 6 Revision history

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

*Issued on 2 May 2018, valid from 1 June 2018*

- *paragraph (4) of section 4.1 amended*

The volume of data reported on the S report is reduced, since sector-specific data on non-performing assets and impairment losses is received in connection with FINREP reporting. FINREP reports do not include the housing corporation sector and private domestic housing companies. Hence, the reporting of these sectors data on the S01F template continues. The data of the S02F table have not been used in the FIN-FSA's supervisory work, and their reporting can therefore be discontinued.

*Issued on 6 February 2018, valid from 1 March 2018*

- *all regulations and guidelines regarding reporting of liquidity risk (M-report) have been repealed*

The amendments are related to the repealing of liquidity risk reporting. The M-tables will be abolished when the reporting of additional liquidity monitoring metrics (ALM reporting) has been implemented in full (the maturity ladder will be introduced on 1 March 2018).

*Issued on 10 January 2017, valid from 1 February 2017*

- *amended paragraph (2) of section 1.1*
- *added paragraph (4) to section 1.1*
- *amended paragraphs (1) and (2) of section 3.1*
- *added paragraph (5) to section 3.1*
- *added paragraph (6) to section 4.1*
- *amended paragraph (9) of section 4.2*
- *added paragraph (10) to section 4.2*
- *added section 4.3, as a result of which the subsequent sections were renumbered*
- *amended paragraph (22) of section 4.4*
- *added paragraph (43) to section 4.5*
- *amended paragraph (49) of section 4.6*
- *amended paragraph (1) of section 5*

The revisions relate mainly to the repeal of the FIN-FSA standard RA4.7, Reporting of liquidity risk and to the transfer of the said regulations and guidelines to the FIN-FSA regulations and guidelines 1/2014, Risk reporting by credit institutions. Moreover, certain individual revisions have been made to the wording of these regulations and guidelines as well as changes made to the reporting institution categories of amalgamations of deposit banks with respect to interest rate and liquid risk reports.

*Issued on 9 March 2016, valid from 1 July 2016*

- *amended paragraphs (1)–(4) of section 1.1*
- *added paragraph (5) to section 1.1*
- *amended paragraph (5) of section 1.1 and moved it to paragraph (31) of section 4.4.1*

- *moved paragraph (6) of section 1.1 to paragraph (32) of section 4.4.2*
- *added to section 1.2 definition for the loan-to-value ratio*
- *added section 2.1, as a result of which the subsequent sections were renumbered*
- *moved section 2.1 to section 2.3*
- *added to section 2.2 the EU's Capital Requirements Regulation*
- *added to section 3 paragraph (6) the objectives of reporting on loan-to-value ratio*
- *renamed section 4*
- *added paragraph (3) to section 4*
- *added to section 4.1 paragraph (6) the contents of reporting on loan-to-value ratio*
- *renamed section 4.2*
- *added sections 4.3 and 4.4, as a result of which the subsequent sections were renumbered*
- *moved paragraph (16) of section 4.3 to paragraph (32) of section 4.4.2*
- *guideline in paragraph (17) of section 4.3 is changed to regulation.*

The revisions relate mainly to the entry into force on 1 July 2016 of the provisions on the maximum loan-to-value ratio laid down in chapter 15, section 11 of the Credit Institutions Act. To these regulations and guidelines, the following have been added: to section 4.3, regulations (17) – (28) under which supervised entities must report to FIN-FSA the loan-to-value ratios of new residential mortgage loans; and to section 4.4.4 regulations (37)–(39). Moreover, certain individual clarifications have been made to the wording of these regulations and guidelines.

*Issued on 22 May 2015, valid from 1 June 2015*

- *all regulations and guidelines regarding Non-performing assets (J report) repealed*
- *section 1.1 Scope of application revised*
  - *deleted from paragraph (3) foreign credit institutions' branches with deposit bank operations in Finland*
  - *deleted paragraph (4) on reporting on deposit banks' foreign branches, as a result of which the paragraphs of section 1 have been renumbered*
- *in section 4, the order of paragraphs was changed to enhance the clarity of presentation, as a result of which the subsections and paragraphs of section 4 were renumbered*
- *deleted former section 4.2 Submission of supervisory information based on the European Commission Implementing Regulation*
- *changed former section 4.3 Submission of supervisory information based on national regulations to section 4.2 Submission of supervisory information*
- *paragraph 32 of the former section 4.6 deleted, as administrative fines are regulated by the Act on the Financial Supervisory Authority. Paragraph 23 is changed to guideline.*

