

Applicable to credit institutions

REGULATION ON THE REPORTING OF SHARES AND REAL ESTATE HELD BY CREDIT INSTITUTIONS AND THEIR CONSOLIDATION GROUPS

By virtue of section 11, point 2, of the Act on the Financial Supervision Authority, the Financial Supervision Authority hereby issues the following regulation on the reporting of shares and real estate held by credit institutions and their consolidation groups. The regulation takes into account the Second Council Directive of 15 December 1989 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions and amending Directive 77/780/EEC (OJEC No L 322, 17.12.1977, p. 30): Directive 89/646/EEC (OJEC No L 386, 30.12.1989, p. 1) as concerns limits on holdings.

1 Scope

Credit institutions shall report their holdings of shares and capital notes in business undertakings and their holdings of real estate and shares in real estate corporations, as referred to in sections 21 and 22 of the Credit Institutions Act (amended by Act 1340/1997), in accordance with this regulation and the instructions for completing the attached model forms. Corresponding information shall also be reported in respect of holdings by the consolidation groups of credit institutions.

2 Submission of reports to the Financial Supervision Authority (FSA)

The report shall be submitted annually for the situation as at 31 December.

The report shall be sent in one copy to the Financial Supervision Authority by 1 April. Savings banks and their consolidation groups shall send their reports to the Savings Bank Inspectorate by the date it specifies for submission of such data, unless the Financial Supervision Authority determines otherwise in respect of certain banks.

Reports by member credit institutions of the central body referred to in the Cooperative Bank Act and by their consolidation groups shall be submitted to the central body only by the date it specifies for submission of such data, unless the Financial Supervision Authority determines otherwise in respect of a particular member credit institution. The Association of Local Cooperative Banks shall furnish the FSA with summary data on all member cooperative banks, unless the Financial Supervision Authority determines otherwise in respect of a particular bank.

The data on which the reports are based shall be retained for a minimum of two years.

3 Definitions

3.1 Consolidation group

In this regulation, a consolidation group shall mean a group of undertakings consisting of a credit institution that is the parent undertaking of the consolidation group and one or more subsidiaries of the consolidation group which are controlled by the credit institution in the manner referred to in section 5, paragraph 2, point 1, of the Credit Institutions Act (amended by Act 1340/1997) or with which the credit institution has a relationship as referred to in point 2 or 3 of the same paragraph. For the purposes of this regulation, the financial holding company of a credit institution is not considered to belong to the consolidation group.

3.2 Associated undertaking

An associated undertaking shall mean an associated undertaking as defined in section 8 of the Accounting Act (1336/1997).

3.3 Business undertaking

A business undertaking shall mean an undertaking that is mainly engaged in business activity other than that referred to in section 20 of the Credit Institutions Act.

3.4 Qualifying holding

A qualifying holding is defined in section 5b of the Credit Institutions Act (amended by Act 1340/1997) as a holding in another undertaking which represents 10 per cent or more of the undertaking's share or cooperative capital or which confers 10 per cent or more of the voting rights in the undertaking.

3.5 Indirect holding

For the purposes of this regulation, the holdings of a credit institution and its consolidation group are also considered to include holdings of shares and participations by a financial institution or ancillary banking services undertaking which does not belong to the consolidation group of the credit institution but which is an associated undertaking of the credit institution, in the same proportion as the credit institution's holdings of shares or participations in the associated undertaking concerned.¹

It is not however necessary to include in indirect holdings any such shares owned by a credit or financial institution or ancillary banking services undertaking as may be left unspecified in their annual accounts pursuant to section 22, paragraph 2, of the Decision of the Ministry of Finance on the annual accounts and consolidated annual accounts of credit institutions and investment firms (1376/97). These items include shares and participations that are held as current assets or the aggregate nominal and book value of which is less than FIM 1 million and less than 5 per cent of the equity capital, as shown in the balance sheet or consolidated balance sheet, of the company that owns the shares or participations.

4 Limits on holdings of shares and real estate

A credit institution's holdings of shares, participations or capital notes of an undertaking other than a credit or financial institution or ancillary banking services undertaking in which the credit institution has a qualifying holding (a holding of at least 10 per cent) may not exceed 15 per cent of the credit institution's own funds. The total amount of such holdings may not exceed 60 per cent of the credit institution's own funds.

If the investment is made by an undertaking belonging to the credit institution's consolidation group solely or together with other undertakings of the group, the above ownership limits shall be calculated in proportion to the credit institution's consolidated own funds.

¹ Example of an indirect holding:

A credit institution owns 30% of financial institution A and 9% of undertaking B.

Financial institution A owns 50% of undertaking B.

Taking the indirect holding into account, the credit institution has a qualifying holding in undertaking B.

$(9\% + 30\% \times 50\%) = 24\%$.

The limits do not apply to the

- shares and participations which it is necessary for the credit institution to hold in connection with the reorganization of a customer's business activities;
- shares subscribed by the credit institution on the basis of its underwriting commitment in connection with a share issue arranged by it;
- shares in insurance companies as referred to in the Insurance Companies Act (1062/1979).

The total amount of a credit institution's holdings of real estate or shares and participations in real estate corporations may not exceed 13 per cent of the credit institution's balance sheet total. The limit concerning the holdings of the consolidation group of a credit institution shall be calculated in proportion to the consolidated balance sheet of the credit institution.

In calculating the limit on holdings, credit granted to and guarantees given in favour of a real estate corporation by the credit institution and undertakings belonging to its consolidation group shall be considered equal to shares and participations owned by the credit institution and undertakings belonging to its consolidation group in the real estate corporation concerned, in the same proportion as the ratio of the real estate corporation's shares and participations owned by the credit institution or the undertakings belonging to its consolidation group to the total share or cooperative capital of the real estate corporation. If a real estate corporation is included in the consolidated balance sheet, the credit received by it and the guarantees given in its favour shall not be taken into account for the calculation of the ownership restriction for the consolidation group.

In calculating the limit on holdings, no account shall be taken of real estate and shares or participations in real estate corporations that

- have entered into possession of the credit institution or undertakings belonging to its consolidation group as security for an unpaid claim;
- have been leased in connection with financing operations where the risk associated with a decrease in their value has for the large part been transferred to the lessee on the basis of an agreement.

5 Entry into force

This regulation enters into force on 31 December 1999.

Appendix 1	Reporting instructions
Appendix 2	Holdings of shares and participations in business undertakings
Appendix 3	Holdings of real estate and shares and participations in real estate corporations