



FIN-FSA Board decision on identification of other systemically important institutions (O-SIIs) and setting of additional capital requirements (O-SII buffers)

At its meeting of 21 December 2017, the Board of the Financial Supervisory Authority (FIN-FSA) identified credit institutions significant for the Finnish financial system (O-SIIs) and set additional capital requirements (O-SII buffers) for them in line with chapter 10 section 8 of the Credit Institutions Act.

According to the FIN-FSA Board decision, the O-SIIs in Finland and their O-SII buffer rates are as follows:

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|----------------------------|------|--------------------------------|
| • Danske Bank Plc | 0.5% | (previously 0.5%) ¹ |
| • Municipality Finance Plc | 1.0% | (0.5%) |
| • Nordea Mortgage Bank Plc | 0.5% | (-) and |
| • OP Cooperative | 2.0% | (2.0%). |

The new O-SII identifications and buffers will take effect on 1 July 2018.

Justification for the decision

Macroprudential authorities seek to mitigate the risks to the whole financial sector and the economy stemming from credit institutions significant for the financial system by increasing their risk resilience and reducing the possibility of these institutions running into difficulties. Additional capital requirements are set for global systemically important institutions (G-SIIs) and domestic other systemically important institutions (O-SIIs).

According to the Credit Institutions Act, the FIN-FSA may impose on O-SIIs an additional capital requirement (O-SII buffer; in the Act 'capital add-on') of 0.0–2.0%, consisting of Common Equity Tier 1 (CET1) capital. The FIN-FSA is required to annually revise the O-SII buffer calculated for each credit institution. If a credit institution exceeds or is below the above-mentioned limits or if its O-SII buffer requirement changes, the FIN-FSA shall take a decision on it. If the requirements applicable to the institution are tightened as a result of the decision, the FIN-FSA shall determine in the decision a period of at least six months during which the institution must meet the requirements resulting from the decision.

The decision of 21 December 2017 is based on the scoring specified in the current guideline of the European Banking Authority (EBA) and supervisory information for the periods following Nordea's restructuring in January 2017, reported to the FIN-FSA on 30 June 2017.

¹ In June 2017, the Board of Directors of the Danske Bank Plc approved a merger plan, according to which Danske Bank Finland would be converted into a branch with effect from 31 December 2017. Following the merger, the O-SII buffer of 0.5% imposed on Danske Bank Plc would not become applicable.



Pursuant to section 34 of the Administrative Procedure Act, the affected credit institutions have been provided opportunity to express their opinion on the matter and submit an explanation of requirements and information that may have an effect on the decision. The European Commission, the European Systemic Risk Board (ESRB), the European Banking Authority (EBA) and the macroprudential and banking authorities of the affected EEA countries (Denmark and Sweden) have been notified of the decision in accordance with Article 131 of the Capital Requirements Directive.² The European Central Bank has been notified of the decision in accordance with Article 5 of the SSM Regulation.³

² Directive 2013/36/EU 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.

³ Council Regulation No 1024/2013 of 15 October 2013 concerning specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions