



Decision of the Board of the Financial Supervisory Authority on identifying other systemically important credit institutions (O-SIIs) and setting additional capital requirements (O-SII buffers)

At its meeting on 29 June 2018, the Board of the Financial Supervisory Authority (FIN-FSA) has, in accordance with Chapter 10 Section 8 of the Credit Institutions Act, identified credit institutions significant for the Finnish financial system (other systemically important institutions, O-SIIs) and set for them additional capital requirements (O-SII buffers), to be met by consolidated Common Equity Tier 1 capital.

In accordance with the decision:

- Municipality Finance Plc's O-SII buffer is 0.5%
- Nordea-group's O-SII buffer is 2.0%
- OP Group's O-SII buffer is 2.0%

A condition for the decision to enter into effect is that Sweden's competent authority does not oppose the merger of Nordea Bank AB with Nordea Holding Oyj.

The new O-SII identifications and buffers enter into effect on 1 January 2019.

Justifications for the decision

The aim is to mitigate the risks of systemically important credit institutions for the financial sector and the economy by strengthening the institutions' loss absorbency and reducing the probability of them falling into difficulties. Additional capital requirements are set for global systemically important credit institutions (G-SII/Bs) and national systemically significant institutions (O-SIIs).

Under the Credit Institutions Act, an additional capital requirement (O-SII buffer) of 0.0-2.0% consisting of Common Equity Tier 1 capital (CET1) may be set for other systemically significant institutions. Annually, the FIN-FSA is required to review the O-SII buffer calculated for each O-SII. If an O-SII exceeds or is below the above-mentioned thresholds or an O-SII's capital requirement changes, the FIN-FSA is required to make a decision on this. If the requirements to be applied to an institution tighten consequent to the decision, the FIN-FSA is required to specify a period of at least six months within which the credit institution must meet the requirements resulting from the decision.

The decision is based on a classification, prepared by the FIN-FSA in accordance with the valid guidelines of the European Banking Authority (EBA), the basis of which are supervision data reported to Finnish and Swedish authorities for the situation at 31 December 2017.



The O-SII calculation framework has been changed in a manner allowed by the EBA Guidelines in order to take into account appropriately the specificities of the national credit institutions sector and the statistical distribution of O-SII scores and to ensure that the systemic importance of credit institutions is taken into consideration consistently after Nordea-group's change of domicile when setting O-SII buffers.

In accordance with Section 34 of the Administrative Procedure Act, the relevant credit institutions were given the opportunity to state their opinion on the matter and to give their explanation of any requirements or clarifications that might influence the deciding of the matter. The European Commission, the European Systemic Risk Board (ESRB), the European Banking Authority (EBA) and the relevant macroprudential and banking supervision authorities of EEA countries (Sweden) have been notified of the decision in accordance with Article 131 of the Capital Requirements Directive.¹ The European Central Bank has been notified of the decision in accordance with Article 5 of the SSM Regulation.²

¹ 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.

² Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.