



Principles for identifying other systemically important credit institutions (O-SIIs) and for setting their capital buffer requirements

1. Background

Systemically important credit institutions are those that pose a systemic risk so great that, if realised, it would have serious negative consequences for the entire financial system and the real economy.

Systemically important credit institutions are typically large relative to other credit institutions, are functionally diverse, and have significant linkages, directly or indirectly, with the rest of the financial system and the economy. As a result, the solvency and liquidity problems of these institutions easily spread to the rest of the financial system. In the regulatory framework, systemic importance is assessed globally (G-SIBs¹) and at the EU level as well as nationally (O-SIIs²).

The risks of systemically important credit institutions for the entire financial sector and the economy are mitigated by strengthening the loss absorbency of these institutions, thereby reducing the probability of their failure. The objective of capital buffer requirements imposed on O-SIIs (O-SII buffers) is to prevent macroprudential risks arising from structural factors in the financial markets.

2. Principles for identifying O-SIIs and designation of Finnish O-SIIs

Under chapter 10, section 8 of the Act on Credit Institutions, national systemically important credit institutions (other systemically important institutions, O-SIIs) refer to credit institutions

1. the balance sheet total of which is at least EUR 1 billion **and**
2. the insolvency of which would jeopardise the stability of the financial markets in Finland or in another EU Member State.

The Financial Supervisory Authority (FIN-FSA) is required to identify the group of O-SIIs on an annual basis. The identification of Finnish O-SIIs is based on the Guidelines³ of the European Banking Authority (EBA) on the assessment of O-SIIs. O-SIIs are identified using four core criteria and ten related indicators (Table 1). The indicators are normalised by dividing the indicator value of each individual credit institution by the sum of the respective indicator values of all credit institutions (incl. branches) in the Member State.

The EBA Guidelines determine O-SIIs in a two-step procedure:

1. Institutions whose O-SII score, calculated as the weighted average of indicator-specific scores, is at least 3.5% are automatically designated as O-SIIs. The national

¹ Global Systemically Important Banks.

² Other Systemically Important Institutions.

³ [EBA/GL/2014/10](#).

Public

macroprudential authority may adjust the threshold by ± 0.75 percentage points to take into account the specificities of the national credit institutions sector and the statistical distribution of the scores, thereby ensuring the homogeneity of the group of O-SIIs in terms of the O-SIIs' systemic importance.

2. Macroprudential authorities should assess whether institutions other than those identified in the first step should be designated as O-SIIs. The assessment should be based on the mandatory or optional indicators specified in the Annexes to the EBA Guidelines.

In designating O-SIIs, the FIN-FSA also applies the balance sheet total threshold of EUR 1 billion specified in chapter 10, section 8 of the Act on Credit Institutions. However, credit institutions with an O-SII score not exceeding 0.045% in the first-step assessment are also not designated as O-SIIs when exercising supervisory judgment in step two.

Table 1. Criteria and indicators applied in the identification of O-SIIs⁴

Criteria	Indicators	Weight
Size	Balance sheet total (total assets)	25%
Importance/substitutability	Value of domestic payment transactions	8.33%
	Private sector deposits from depositors in the EU	8.33%
	Private sector loans to recipients in the EU	8.33%
Interconnectedness	Intra-financial system liabilities	8.33%
	Intra-financial system assets	8.33%
	Debt securities outstanding	8.33%
Complexity	Value of OTC derivatives (notional)	8.33%
	Cross-jurisdictional liabilities	8.33%
	Cross-jurisdictional claims	8.33%

The FIN-FSA has set the threshold of the weighted average of indicator-specific O-SII scores at 2.75%⁵. In recent years, there have been no such changes in the structure of the Finnish

⁴ In interpreting the calculations and indicators, the following factors should be taken into account:

- All the indicators are based on FINREP reporting data, except for the indicator of payment transactions, which is based TARGET payment transactions data.
- The calculations do not include insurance business items.
- Private sector deposits from depositors in the EU: credit institutions whose foreign liabilities account for less than 10% of balance sheet liabilities do not report deposits from depositors in the EU separately. For these institutions, the figure includes all deposits.
- Private sector loans to recipients in the EU: credit institutions whose foreign claims account for less than 10% of balance sheet assets do not report loans to recipients in the EU separately. For these institutions, the figure includes all loans.
- Cross-jurisdictional claims and liabilities: the data only comprises credit institutions' items exceeding the threshold value of 10%.

⁵ Nordea Group drastically reduces the calculated relative importance of other Finnish credit institutions. To ensure that the systemic importance of O-SIIs is assessed in a consistent manner and that the group of O-SIIs remains homogeneous, the threshold of systemic importance was lowered from 3.5% to 2.75% in connection with the O-SII decisions taken in 2018.

Public

banking sector as would require adjustment of the threshold of systemic importance. Therefore, it is justified to continue applying the threshold of 2.75% in the identification of O-SIIs.

Based on data as at end-2024, and as in the previous year, Nordea, OP Financial Group and Municipality Finance exceed the systemic importance threshold (2.75%) and are therefore automatically designated as O-SIIs (Table 2). According to the FIN-FSA's assessment, there are no grounds for designating other credit institutions as O-SIIs.

Table 2. Finnish credit institutions' O-SII scores as at 31 December 2024

Banking group	O-SII score (%)	O-SII institution
Nordea	65.22	yes
OP Financial Group	10.84	yes
Municipality Finance	4.13	yes
S-Bank	1.02	no
Savings Bank Group	0.95	no
Aktia	0.86	no
Oma Savings Bank	0.54	no
Danske Mortgage Bank	0.51	no
POP Bank Group	0.47	no
Bank of Åland	0.46	no
The Mortgage Society of Finland	0.24	no
Alisa	0.03	no

Nordea remains decidedly the most significant credit institution by all O-SII criteria (Table 3). Nordea and OP Financial Group exceed the systemic importance threshold in terms of all the four criteria, while Municipality Finance exceeds it in respect of the criteria 'Size' and 'Interconnectedness'.

Of all the domestic O-SIIs in 2024, the systemic importance of Nordea and Municipality Finance increased, while that of OP Financial Group decreased compared with the previous year (Chart 1).⁶ For OP Financial Group, the decrease was reflected in all the other criteria except for the size criterion, and most prominently in the criterion 'Interconnectedness' and the related indicator 'Debt securities outstanding'. The systemic importance of Municipality Finance increased in terms of all the four criteria, and most in respect of the size and interconnectedness criteria. The increase in interconnectedness was particularly due to debt securities outstanding.

⁶ The systemic importance of OP Financial Group decreased by 0.17 percentage points, and Nordea's and Municipality Finance's increased by 2.51 and 0.25 percentage points, respectively.

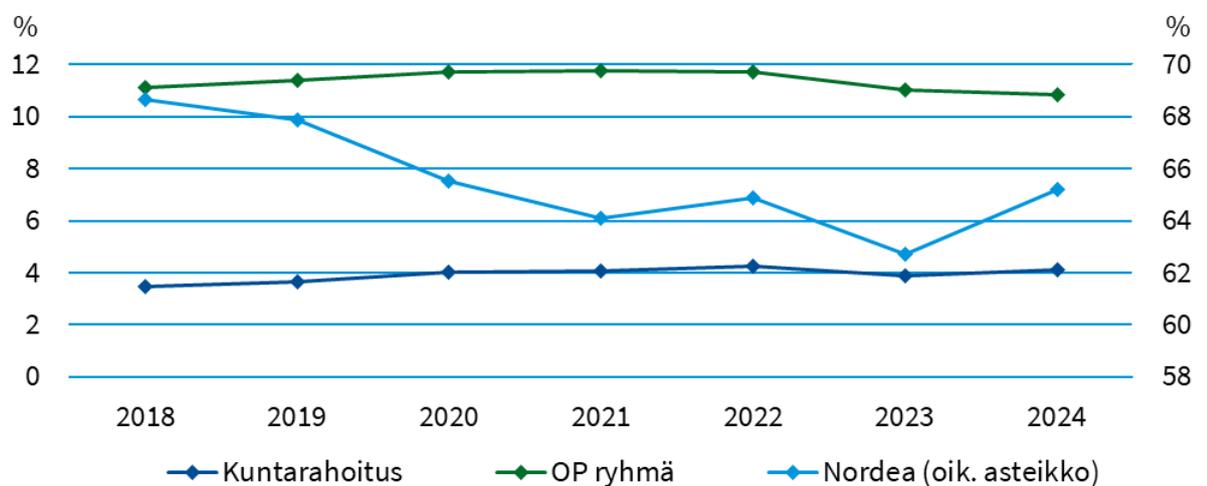
Public

Table 3. Finnish credit institutions' criterion-specific O-SII scores (%) as at 31 December 2024

Banking group	Size	Importance	Complexity	Interconnectedness
Nordea	61.71	44.25	91.46	63.47
OP Financial Group	15.94	15.56	3.07	8.78
Municipality Finance	6.11	1.48	0.32	8.63
S-Bank	1.52	1.83	0.07	0.64
Savings Bank Group	1.46	1.53	0.06	0.76
Aktia	1.16	1.03	0.18	1.06
Oma Savings Bank	0.89	0.90	0.01	0.38
Danske Mortgage Bank	0.68	0.42	0.05	0.90
POP Bank Group	0.72	0.85	0.03	0.26
Bank of Åland	0.57	0.61	0.26	0.41
The Mortgage Society of Finland	0.40	0.33	0.01	0.25
Alisa	0.05	0.06	0.00	0.00

Among all the significant credit institutions located in Finland, Nordea's O-SII scores rose the most. Nordea obtained higher scores for all the four criteria, but the increase in its systemic importance was mainly due to an increase in its size, interconnectedness and complexity. The higher score for interconnectedness reflects growth in debt securities outstanding, while that for complexity is particularly attributable to growth in cross-jurisdictional claims and OTC derivatives. The increase in Nordea's systemic importance was also supported by a decrease in the systemic importance of the largest branches of foreign credit institutions operating in Finland.

Chart 1. Evolution of O-SII scores of Finnish O-SIIs, 2018–2024



Lähde: Finanssiluvonta

Public

3. Principles for setting capital buffer requirements for Finnish O-SIIs

Requirements of the Act on Credit Institutions and minimum level of O-SII buffers

In addition to identifying O-SIIs, the Act on Credit Institutions obliges the FIN-FSA to review the additional capital buffer requirements of O-SIIs (O-SII buffers) on an annual basis. If the review leads to changes in O-SII buffers, the FIN-FSA is required to take a decision on the matter.

In accordance with the Act on Credit Institutions, the FIN-FSA is required to allocate O-SIIs into seven buckets according to their assessed systemic importance. As a rule, the O-SII buffer rate of credit institutions allocated into the lowest bucket (non-O-SIIs) is 0% of their total risk exposure amount. The buffer rates in the other buckets (O-SIIs) increase at increments of 0.5 percentage points so that, as a rule, the buffer rate of institutions allocated into the highest (seventh) bucket is 3%. O-SII buffers must be covered by Common Equity Tier 1 (CET1) capital.

Table 4. O-SII buckets under the Act on Credit Institutions and associated buffer rates

Bucket	Buffer rate
1	0.0%
2	0.5%
3	1.0%
4	1.5%
5	2.0%
6	2.5%
7	3.0%

Under the Act on Credit Institutions, the FIN-FSA is required to apply the following criteria in bucketing O-SIIs and determining their buffer requirements:

1. the size of the credit institution measured by its total liabilities or balance sheet total or consolidated balance sheet total;
2. the liabilities of the credit institution and undertakings within its consolidated supervision to other credit institutions and receivables from other credit institutions as well as other direct linkages with the financial system;
3. the substitutability of the critical functions of the credit institution and undertakings within its consolidated supervision in the event of the undertaking losing its capacity to continue its operations;
4. the extent and significance of cross-border operations of the credit institution and undertakings within its consolidated supervision in Finland and in the European Economic Area.

In practice, the bucketing of Finnish O-SIIs and the calibration of O-SII buffers is based on the systemic importance of O-SIIs, assessed primarily by means of the O-SII scores under the EBA Guidelines. The calibration of O-SII buffers is also guided by the floor methodology⁷ of the European Central Bank (ECB). The ECB floor methodology establishes a

⁷ ECB (2022), [Governing Council statement on macroprudential policies](#).

Public

minimum level for the capital buffer of an individual O-SII, determined by the institution's O-SII score. This minimum level is used as a benchmark for assessing under Article 5 of the SSM Regulation⁸ the capital requirements applied by national macroprudential authorities. If an O-SII buffer intended by the national macroprudential authority is below the minimum level implied by the floor methodology, the ECB may set a higher requirement for the buffer.

Based on the ECB floor methodology, the minimum level of O-SII buffers should be at least 1.5% for Nordea, 0.5% for OP Financial Group and 0.25% for Municipality Finance. Taking into account that the Act on Credit Institutions requires the application of O-SII buffer rate increments of 0.5 percentage points and that a buffer rate of 0% would be contrary to the spirit of the regulations and the ECB floor methodology, 0.5% can, in practice, be considered as the minimum O-SII buffer requirement for OP Financial Group and Municipality Finance.

Consideration of the banking union in determining the minimum level of O-SII buffers

The ECB's existing floor methodology, which has been in place since 2016, has so far only considered systemic importance at the national level when determining minimum buffer requirements. In December 2024, the ECB Governing Council published a statement on the revised methodology for assessing O-SII buffers.⁹ In the statement, the ECB announced that the existing floor methodology used to assess capital buffers for O-SIIs would be supplemented by another floor methodology that assesses the systemic importance of O-SIIs at the level of the banking union as a whole. This will lead to a more consistent treatment of O-SIIs within the banking union and will strengthen the resilience the banking system by reducing the unwarranted heterogeneity in buffer levels between O-SIIs of similar systemic importance. Moreover, the revised floor methodology will reduce the current disparity between capital requirements for domestic and cross-border activities within the banking union and can thereby remove barriers to cross-border corporate restructuring.

Under the new floor methodology, each bank identified as an O-SII obtains a banking union score in addition to the national score, calculated in accordance with the EBA Guidelines and by using the consolidated banking sector of all Member States in the banking union as the reference banking system. The ECB's revised floor methodology took effect on 1 January 2025 and will be capital neutral¹⁰ in 2025 and 2026. After that, the banking union floor will be increased in two increments, and the new methodology will be fully phased in as of 1 January 2028.

The new floor methodology will be applied in line with the responsibilities under Article 5 of the SSM Regulation. The ECB will ultimately ensure that, for each O-SII, the O-SII buffer will not fall below the minimum levels implied by the banking union perspective and the national perspective. In line with the EU legal framework, the ECB's O-SII floor implied by the national perspective is retained without changes. The enhancements to the floor

⁸ Council Regulation (EU) No 1024/2013.

⁹ ECB (2024), [Governing Council statement on macroprudential policies](#).

¹⁰ In other words, the floor methodology for the banking union perspective will not lead to an increase in capital requirements in the early stages of implementation in 2025 and 2026.

Public

methodology focus on those institutions that are most systemically important from a banking union perspective. For most O-SIIs, including Finnish ones, the buffer floor implied by the current national perspective is higher than that implied by the banking union perspective.¹¹ The ECB will publish the banking union scores of all O-SIIs on an annual basis: publication will take place after all national authorities have completed their annual O-SII identification and buffer-setting process.

The FIN-FSA methodology for calibrating O-SII buffers

The higher-than-average level of concentration of the Finnish banking sector and the large size of the most significant credit institutions relative to the national economy support the application of O-SII buffer rates above the minimum levels implied by the ECB floor methodologies. The FIN-FSA assesses O-SII buffers using two alternative bucketing approaches where O-SIIs are allocated into seven buckets based on their assessed systemic importance. In both approaches, systemic importance is measured by the O-SII scores computed in accordance with the EBA Guidelines. One of the methodologies (linear bucketing approach) applies equal bucket ranges and increments based on the O-SII scores, equalising in size the threshold of systemic importance (2.75%). The FIN-FSA has applied a corresponding method in calibrating O-SII buffers in previous years.

In the other methodology, the bucket ranges are calibrated in line with the equal expected impact (EEI) approach. The EEI approach has been applied e.g. in calibrating buffer requirements for global systemically important institutions (G-SIIs).¹² Under the EEI approach, the buffer requirements of systemically important institutions (SIIs) are calibrated so that the expected social costs from the default of an SII equal those from the default of a non-SII. Table 5 illustrates the bucket ranges under both the linear and the EEI approach and the indicative O-SII buffer rate applied in each bucket.

Table 5. O-SII buckets and indicative buffer rates under the linear approach and the EEI approach

Bucket	O-SII score (linear approach)	O-SII score (EEI approach)	Indicative O-SII buffer
1	0–2.75	0–2.75	0.0%
2	2.75–5.50	2.75–6.00	0.5%
3	5.50–8.25	6.00–10.00	1.0%
4	8.25–11.00	10.00–17.00	1.5%
5	11.00–13.75	17.00–28.00	2.0%
6	13.75–16.50	28.00–48.00	2.5%
7	16.50–	48.00–	3.0%

Table 6 illustrates the current O-SII buffers of Finnish O-SIIs, the recommended buffer rates under the two alternative bucketing approaches and the minimum buffer rates implied by the ECB floor methodology. Based on the recommended buffer rates under the different calibration approaches, the current O-SII buffers of Municipality Finance and OP Financial Group are commensurate with the systemic importance of these institutions.

¹¹ Based on end-2023 data, application of the new floor methodology would result in an increase of 0.25–0.5 percentage points in the O-SII buffers of only five O-SIIs.

¹² Federal Reserve (2015), [Calibrating the GSIB Surcharge](#).

Public

In the case of Nordea, the recommended buffer rates under the bucketing approaches suggest that Nordea's O-SII buffer could be raised to the regulatory upper limit of 3.0% (bucket 7). Setting the highest possible buffer rate would be supported e.g. by the fact that Nordea is the most significant O-SII in the whole EU both as measured by the O-SII score and relative to the national financial system.¹³ Moreover, Nordea's systemic importance increased in 2024 to the highest level recorded in four years. On the other hand, Nordea's O-SII score for 2024 is still lower than in 2018–2020 and almost at the same level as in 2022. Nordea's O-SII buffer was last raised in 2022, from 2.0% to 2.5%, applicable as of 1 January 2023. In 2023 and 2024, Finnish banks' O-SII buffers were kept unchanged. A decision not to set the highest buffer rate would also preserve the incentive for the most significant credit institutions to avoid increasing their systemic importance.

Table 6. Indicative buffer rates for Finnish O-SIIs under the different approaches

Banking group	Current O-SII buffer	Indicative O-SII buffer (linear approach)	Indicative O-SII buffer (EEI approach)	Minimum buffer level implied by floor methodology¹⁴
Nordea	2.5%	3.0%	3.0%	1.5%
OP Financial Group	1.5%	1.5%	1.5%	0.5%
Municipality Finance	0.5%	0.5%	0.5%	0.5%

According to the Capital Requirements Directive (CRD), the systemic importance of an institution should be assessed not only from a national but also from an EU-wide perspective¹⁵. When assessing the systemic importance of Finnish credit institutions at the level of the entire banking union, Nordea's O-SII buffers are notably higher than those of institutions of corresponding importance in the banking union. Nordea is also the only credit institution in the banking union with an O-SII buffer of 2.5%. Moreover, Nordea's buffer rate is higher than for many banks identified as G-SIBs, which are substantially more significant in absolute terms than Nordea. Therefore, a decision not to raise the O-SII buffers could also be justified from the perspective of ensuring a level playing field.

The Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM) contribute to reducing the probability of failures and distress of systemically important banks operating within the banking union, thereby lowering the related costs to society. While O-SII buffers and the SSM mitigate, in particular, the probability of failure of systemically important institutions, resolution requirements and measures primarily reduce the societal costs of bank failures by securing the continuity of critical functions, curbing the financial stability impacts of bank failures and distress and protecting public funds. However, the

¹³ See the [O-SII-scores](#) published on the EBA website.

¹⁴ Taking into account the floor under both the national perspective and the banking union perspective. For Finnish O-SIIs, the buffer floor implied by the national perspective is higher than that implied by the banking union perspective.

¹⁵ Under Article 131(3) of the CRD, systemic importance should also be assessed in relation to the economy of the EU as a whole.

Public

application of resolution measures instead of bankruptcy proceedings does not fully eliminate the financial stability impacts resulting from the difficulties of distressed banks.

A credible resolution framework may, in principle, reduce the need for O-SII buffers. The fact that the SRM reduces the systemic risks associated with the systemic importance of individual institutions is currently recognised in both the Basel Committee's methodology for setting G-SII buffers and the ECB's new floor methodology for O-SII buffers. The credibility of the resolution framework is affected by the resolvability of an institution and the authorities' crisis management capacity. Although improvements in the resolution framework have contributed to reducing the financial stability impacts of failures or distress of individual institutions, the social costs of banking crises are so high that strict banking supervision and sufficient levels of O-SII capital buffers should remain in place in order to reduce the probability of failure of systemically important credit institutions.

The resolution framework and its improvements have been taken into account as a qualitative criterion in the FIN-FSA's earlier O-SII decisions.¹⁶ The purpose of this has been to take into account the reduction in systemic risks as a result of common banking regulation, the SSM and the SRM, as also recognised in the G-SII methodology and subsequently in the ECB's O-SII floor methodology.¹⁷ The FIN-FSA finds it justified to continue accounting for these internationally recognised risk-reducing factors as a qualitative criterion in calibrating O-SII buffers. However, for the reasons stated above, any assessments of the impacts of these factors should be treated with caution.

Conclusions

Based on the O-SII scores as at end-2024, and as in previous years, O-SIIs comprise Nordea, OP Financial Group and Municipality Finance. Taking into account the recommended buffers under the different calibration methodologies and the reasons stated above, the FIN-FSA finds it justified to keep the O-SII buffer rates for all the three O-SIIs at their current levels: 2.5% for Nordea, 1.5% for OP Financial Group and 0.5% for Municipality Finance. There have been no material changes in the systemic importance of Finnish O-SIIs in recent years. Hence, the current O-SII buffer requirements can be considered proportionate to the systemic risks related to systemic importance.

Table 7. O-SII buffer rates and O-SII buckets of Finnish O-SIIs

Banking group	O-SII buffer (current buffer rate)	O-SII bucket under the Act on Credit Institutions
Nordea	2.5% (2.5%)	6
OP Financial Group	1.5% (1.5%)	4
Municipality Finance	0.5% (0.5%)	2

¹⁶ Financial Supervisory Authority (2024), [Principles for identifying other systemically important credit institutions \(O-SII\) and setting additional capital requirements](#).

¹⁷ The EBA Guidelines on the identification of O-SIIs also allow for the application of optional indicators related to the resolvability of institutions and the evolution of the banking union (e.g. the degree of resolvability of an institution, examination of claims or liabilities in a given geographical area).

The Finnish banking sector's total own funds requirement increased in 2024.¹⁸ This was driven by the systemic risk buffer (SyRB) requirement applicable as of the beginning of April¹⁹, the Norwegian SyRB requirement for exposures located in Norway applicable as of the beginning of July²⁰, and the increased impact of the countercyclical capital buffer (CCyB) requirement due to sales of business operations. The recent buffer decisions have thus contributed to strengthening the resilience of the Finnish banking sector, and, following their entry into force, the aggregate amount of macroprudential buffer requirements for the Finnish banking sector have risen to a level deemed sufficient by the FIN-FSA.

The CRR3/CRD6 banking package has also brought changes to the calculation of credit institutions' prudential requirements as of the beginning of 2025, although this is estimated to have a moderate impact on the level of the banking sector's prudential requirements. The new banking package is estimated to raise the banking sector's capital requirements by a total of around 4% by the end of all the transitional periods, the longest of which extend up to 2033.²¹ In addition, the sectoral SyRB introduced by the Danish macroprudential authority will become applicable to specific exposures to Danish real estate companies as from the beginning of 2025, and this will also lead to a slight increase in the macroprudential buffer requirements.

The pick-up in economic growth and the fall in inflation and interest rates in the coming year are expected to support the operating environment for the Finnish financial sector. These expectations are, however, subject to uncertainty and downside risks. Buffer requirements commensurate with an institution's systemic importance and the strong capital position of the banking sector provide safety against losses caused by severe shocks in the economy or the financial system while improving the availability and terms of funding. The Finnish banking sector's lending capacity has also remained good despite the increase in buffer requirements.

¹⁸ From 15.3% to 16.6%.

¹⁹ In March 2023, the FIN-FSA Board decided to raise the SyRB to 1%.

²⁰ In June 2023, the FIN-FSA Board decided to reciprocate the SyRB imposed by the Norwegian macroprudential authority for partial application to Finnish credit institutions' exposures in Norway.

²¹ One of the most significant changes that will increase the requirements is the 'output floor', which limits the capital benefit obtained from the use of internal models in capital adequacy calculations. In accordance with the amendments to the CRD, the national macroprudential authority must assess the appropriateness of the O-SII buffer level if an O-SII becomes bound by the output floor. Finnish O-SIIs are not expected to become bound by the output floor in the immediate years ahead.