



FIN-FSA Board decision: other systemically important institutions and setting of additional capital requirement

Under section 10, subsection 1, paragraph 6 of the Act on the Financial Supervisory Authority (878/2008), the Board of the Financial Supervisory Authority (FIN-FSA), at its meeting on 6 July 2015, decided to impose an additional capital requirement for cr

<u>Credit institution</u>	<u>Imposed additional capital requirement</u>
Nordea Bank Finland Plc	2.0%
OP Group	2.0%
Danske Bank Plc	0.5%
Municipality Finance Plc	0.5%

The additional capital requirement is calculated on the basis of the credit institution's total risk exposure and must be covered by Core Equity Tier 1 capital (CET1 capital). This requirement must be fulfilled as of 7 January 2016.

Justification for the decision

Under chapter 10, section 8 of the Credit Institutions Act, FIN-FSA must annually evaluate credit institutions of systemic importance to the Finnish financial system¹ and impose additional buffers on them.

In accordance with the Credit Institutions Act, and especially chapter 10, section 8 of said Act and the transitional provisions on the enforcement of the Act, the Board of FIN-FSA must disclose other credit institutions designated as important for the financial system (systemically important credit institutions or 'Other Systemically Important Institutions' (O-SIIs)) and impose additional buffers on them according to their estimated systemic importance.

The relevant Guidelines of the European Banking Authority (EBA)² have been applied to the designation of O-SIIs. The classification of credit institutions into O-SII categories as referred to in the Credit Institutions Act has also been carried out according to O-SII scores as referred to in the EBA Guidelines.

The O-SII scores of all four credit institutions designated as O-SIIs exceeded the 3.5% threshold that requires that a credit institution be categorised as an O-SII credit institution as provided in the EBA Guidelines. OP Group and Nordea Bank Finland Plc exceeded the 14%

¹ 'Other Systemically Important Institutions' (O-SIIs), and the O-SII buffers to be imposed on them, as referred to in chapter 10, section 8 of the Credit Institutions Act.

² EBA/GL/2014/10.



threshold. This excess, according to the determined scale, led to the maximum additional buffer of 2 percentage points. Although Nordea Bank Finland Plc's O-SII scores (64.0%) were significantly higher than OP Group's (15.1%), the Board considered that OP Group's additional buffer was at the appropriate level due to OP Group's large market share in different product lines.

The Board decision was made in line with a proposal by FIN-FSA's Director General. The decision was based on an assessment, prepared in concert by experts of FIN-FSA, the Bank of Finland and the Ministry of Finance, of the need for use of macroprudential tools. Opinions of the Bank of Finland, the Ministry of Finance and the Ministry of Social Affairs and Health corroborated the decision. The European Central Bank has indicated that it will offer no objections.