Annual Report 2024

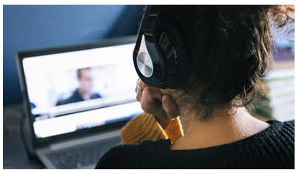
FIN-FSA’s year 2024

”Due to the uncertainty of the operating environment, preparing for less favourable developments than forecast and managing IT and cyber risks continue to be focus areas of our supervision.”

Tero Kurenmaa, Director General

Photo: Emmi Korhonen / STT-Lehtikuva

State of financial markets



FIN-FSA’s supervisory actions in 2024

Management and personnel

Appendices to the Annual Report

FIN-FSA's themes

Sustainability aspects of the financial sector >

New supervised entities in AML/CTF supervision >

Cyber security and scam prevention more important than ever >

Anniversary of the Single Supervisory Mechanism in banking supervision >

Governance under scrutiny in the insurance sector >

Director General's review

The operating environment of the financial sector has for years been dynamic and changing. Subdued economic growth and prolonged geopolitical tensions kept risks in the sector at an elevated level. In this environment, the strong solvency of our supervised entities is the primary protective factor and will remain central to our supervision.

Cyber security increasingly important

Geopolitical tensions, combined with the changes brought about by digitalisation and artificial intelligence (AI), are making cyber security an increasingly important part of our supervision.

The Digital Operational Resilience Regulation (DORA)[1] will compel many financial actors to regularly test their cyber security and resilience to cyber incidents. A significant new element is that the Regulation also extends to IT partners providing services to the financial sector.

Towards the end of the year under review, cyber security was shaken, in particular, by an exceptionally large-scale denial of service attack targeting a supervised entity and by cable failures in the Baltic Sea. Our supervised entities report cyber incidents to us immediately and also provide us with an incident report after the incident has ended. We work closely with supervised entities during incidents, but we allow them to focus on rectifying the situation and we only address any shortcomings after the situation has been resolved.

By strengthening resilience in advance, we minimise the impact of such attacks or damage on our society and at the same time mitigate the effectiveness of criminal actions.

The importance of cyber security and related resilience applies to all the sectors we supervise. Last year, led by the ECB, we tested cyber resilience in the banking sector, and this year we will extend this nationally to other supervised sectors.

Making the fraudster's work more difficult

The biggest vulnerability factor in cyber security is people, however. During the year, we observed a rise in the number of various scams. Even the supervisor's name has been used in scam attempts.

The growing popularity of virtual currencies has led to an increase in investment-type scams. The entry into force of virtual currency regulations[2] has, however, imposed new registration obligations on virtual currency providers. Even after this, it is essential to exercise particular vigilance with investments involving crypto assets, because once a scam takes place, there is generally little scope for restitution.

Banks must also take more responsibility for preventing fraud by making it as difficult as possible for fraudsters. It is important for banks and other actors to build protections against fraud into their services: for example, bank transfer restrictions set by customers themselves are possible within the framework of current legislation.

Teaching people to recognise scams is also important. At a joint event for high school students, held with the Financial Literacy Centre and the Bank of Finland, we talked about recognising scams as well as the need for healthy suspicion when faced with “good offers”.

AI is a good tool in the hands of responsible actors. Its use is increasing, and the new AI Act will also extend oversight to this field. Unfortunately, AI is also fuelling crime and making it increasingly easier to produce fraud-oriented content.

Stakeholder trust provides a strong foundation for our work

The stakeholder survey we conducted in autumn 2024 showed that the trust our stakeholders, and particularly our supervised entities, hold in us is excellent. This provides a strong foundation for our supervision, as only a trusted supervisor can, in accordance with its statutory duties, ensure stability and confidence in the financial sector it supervises.

We also received good feedback that dialogue with the FIN-FSA is effective and that our operations are professional and have evolved for the better. Nearly 90 per cent of respondents were satisfied with the FIN-FSA’s communication and interaction, which, according to the survey, are considered to be expert and useful.

Our strategy for 2023–2025 made proactivity and predictability a priority. We still have room for improvement in these areas, although we are already heading in the right direction.

A predictable and proactive supervisor

Much has already been done. For three years in a row, the FIN-FSA has published its focus areas for supervision for the coming year, so that supervised entities know what is particularly important to the us. The use of supervision calendars specific to individual supervised entities will also be harmonised.

We have long published the key findings of our thematic reviews of the supervised entity sector, but this spring we will start to publish summaries of inspections of individual supervised entities. This will bring predictability to the whole supervised entity sector, as knowledge of the supervisor’s areas of emphasis will grow. At the same time, the effectiveness of supervision will increase, as the findings of an individual inspection may provide guidance to the entire sector. Our predictability will also be enhanced by active communication and events arranged for supervised entities.

We have improved our predictability through, for example, operating environment analyses. AI is also enhancing the utilisation of data and thus supervision overall. A number of AI utilisation projects are under way, aimed at improving the coverage and quality of supervision.

Soundness of supervised entities’ activities must be maintained in a changing operating environment

Proactivity and predictability also play a key role because our supervised entities are themselves responsible for ensuring that their activities comply with the law. Contrary to what is often assumed, we do not approve or reject individual actions of supervised entities. Instead, we monitor that a supervised entity’s governance, risk management, processes and expertise are at a level that ensures compliance with the law.

For this reason, the soundness of supervised entities’ governance was a focus area of our supervision last year, and it remains so this year. It underlies everything and ensures the legality and soundness of a supervised entity’s activities.

Due to the uncertainty of the operating environment, preparing for less favourable developments than forecast and managing IT and cyber risks continue to be focus areas of our supervision. Regulation and greater incidence of environmental disasters are also keeping sustainability issues at the centre of our supervision: supervised entities must prepare for the associated risks and, moreover, provide accurate and regulatory-compliant information on sustainability issues in their own activities.

Changes in the operating environment, new regulations and, for example, the rise of AI are also bringing changes to our own activities. We are developing the expertise of our personnel in these areas. A leadership survey conducted at the end of the year reported that our personnel feel that support for professional development is at a good level. This is vital because expert personnel are the most important factor in ensuring effective supervision.

I would like to thank all FIN-FSA personnel for the past year.

Helsinki, 3 March 2025

Tero Kurenmaa

1 Digital Operational Resiliency Act, DORA.
2 Markets in Crypto-Assets Regulation, MiCA.

State of financial markets

The Finnish economy saw gradual improvement in 2024, although the Bank of Finland expects GDP to have contracted from the previous year in 2024.[1] The sluggish cyclical development of the economy and intensification of geopolitical tensions weakened the operating environment of the Finnish financial sector and kept risks at an elevated level. The strong solvency of the financial sector, however, provided protection against the risks brought about by the deteriorating operating environment.

The Bank of Finland is forecasting that a turning point in economic conditions is at hand. The decline in interest rates will support a recovery in private consumption and investments, while exports will grow. Despite the pick-up in house sales, the state of the housing, construction and real estate investment markets has remained weak, which has also increased the credit, investment and liquidity risks of the financial sector and challenged asset valuations.

The decline in interest rates and expectations of future policy rate cuts by central banks have supported stock prices and thereby, among other things, insurance companies' investment returns. However, financial market sentiment has been vulnerable to rapid shifts due to negative news or the increase in uncertainty.

Uncertainty is keeping the risks of the Finnish financial sector at high levels. The prospect of a brighter operating environment is overshadowed by many downward risks, such as an increase in geopolitical tensions, uncertainty related to trade policy, high indebtedness, protracted high inflation and a weakening of the employment situation. In addition, an increase in hybrid and cyber attacks has also highlighted the need for preparedness and operational risk management.

Moreover, financial sector operators are also challenged by several trends, such as the impacts of climate change (ESG risks), demographic change, digitalisation and new technologies as well as the development of new types of products and operating models (e.g. cloud services and artificial intelligence). These trends alter the ways of operation, competitive landscape and cost structure in the financial sector, and they may also create new earnings opportunities. At the same time, they may also introduce new kinds of risks, the control of which necessitates the development of risk management in the financial sector.

Profitability of the banking sector improved on the back of good profit performance, and capital adequacy ratios remained strong

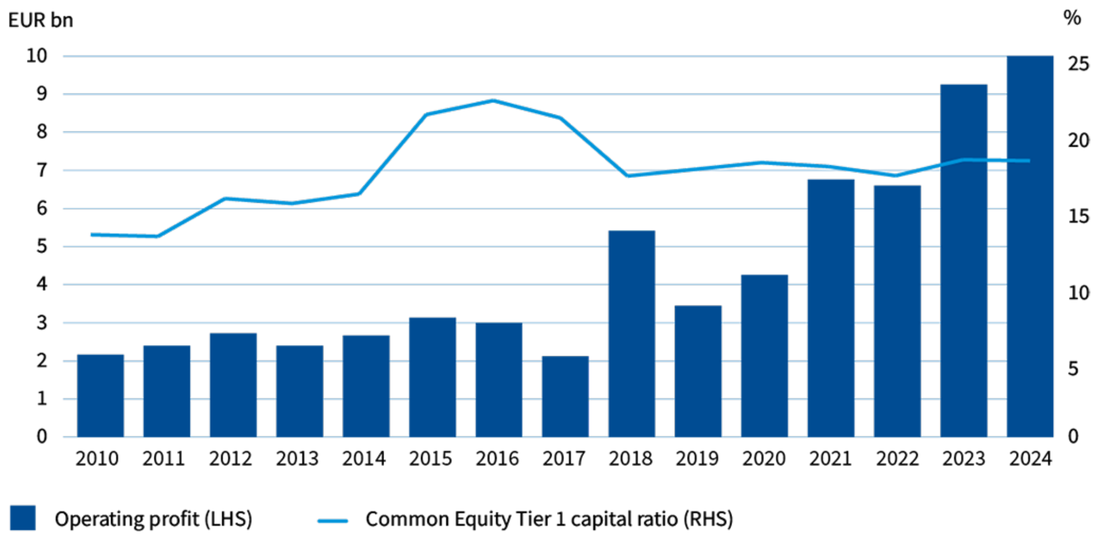
The capital adequacy of the banking sector remained stable in the review year. The own funds of the banking sector grew due to solid profit development, which compensated for the negative effects of adjustments to capital adequacy calculation models on capital ratios, in particular. The surplus of own funds of the banking sector relative to the total capital adequacy requirement weakened due to tightening macroprudential requirements. Banks continued to have ample capital relative to the requirements, however. Their capital ratios remained above the European average levels.

The operating profit of the banking sector increased further due to growth of net interest income but, towards the end of the year, the growth of the net interest income petered out due to the decline in interest rates. Net interest income was the most important income item for Finnish banks.

Non-performing loans in the banking sector remained at a low level and among the lowest in Europe, although there was marginal growth both in non-performing corporate and household loans. There was also more migration of credit into higher credit risk impairment categories than vice versa, signalling an increase in credit risks. Signs of a deterioration in the quality of the credit stock were particularly evident in certain segments suffering from the weak cyclical situation, such as consumer credit and construction as well as wholesaling and retail.

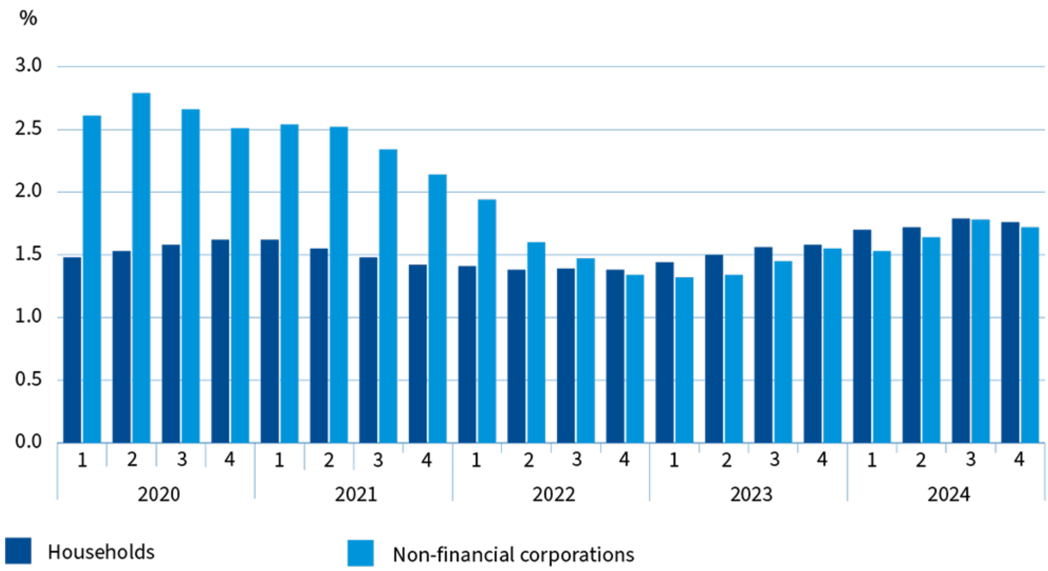
The liquidity situation and liquidity position of the banking sector remained strong. Deposits from the public grew and growth of funding costs levelled off. However, the refinancing of debt issued during the period of low interest rates may increase banks' cost of market funding. Diversified funding sources and banks' strong capital adequacy improve the availability and conditions of market-based funding while providing safety against market disruption events.

Operating profit and CET1 capital ratio of the domestic banking sector



Source: The FIN-FSA

Non-performing loans of the domestic banking sector relative to the credit stock



Source: The FIN-FSA

Life insurance companies' solvency weakened towards the end of the year but remained solid

The solvency ratio of the life insurance sector declined from end-2023 to stand at 222.2% (12/2023: 235.1%). The decline in interest rates increased the amount of technical provisions and the expected dividend distributions from own funds reduced eligible own funds and weakened solvency in the last quarter of the review year. The Solvency Capital Requirement (SCR) grew year-on-year, which also weakened the solvency ratio. Despite the weakening, solvency remained at a solid level.

Life-insurance companies' investment returns for the review year were positive (4.9%). The returns on fixed-income and equity investments were positive. Equity investments made a particularly solid return (11.5%), while real estate investment returns were negative at -0.3%. Premiums written on life insurance increased on the previous year, supported in particular by the strong sale of investment insurance policies. Claims paid increased slightly from the previous year.

Solvency of life insurance companies

Source: The FIN-FSA

Non-life insurance companies' solvency weakened, while remaining at a solid level

At the end of the review year, non-life insurance companies' solvency ratio stood at 254.6%, down from the end of 2023 (12/2023: 265.5%). Despite the decline, the solvency of the sector remained at a good level. The solvency ratio was weakened by an increase of the solvency capital requirement reflecting, among other things, investment returns and a higher symmetric adjustment to the equity capital charge.

The investment returns of the non-life insurance sector amounted to 7.5% in the review year. The investment returns were generated mainly by equity and fixed-income investments. Real estate investment returns were low, but nevertheless positive. The slight growth in non-life insurance premiums written was accumulated in health and land vehicle insurance. There was a considerable increase in claims paid. Besides health insurance compensations, major damage in the early part of the year and challenging weather conditions had a negative impact on the claims ratio, but the ratio improved towards the end of the year. The profitability of the sector as a whole was at a solid level in 2024.

Solvency of non-life insurance companies

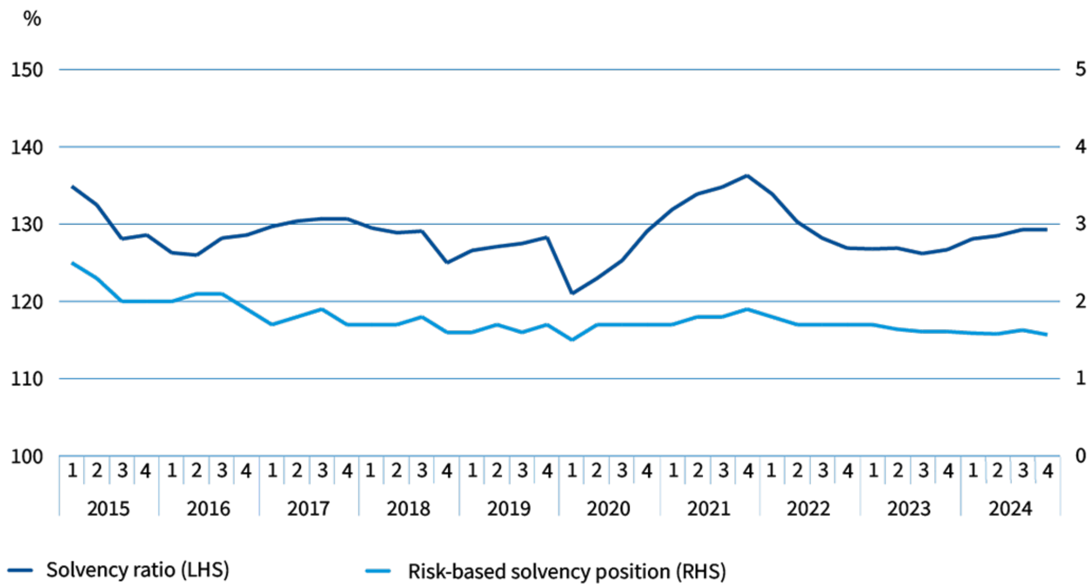
Source: The FIN-FSA

Solvency of the employee pension sector strengthened due to positive investment returns

The investment returns of the employee pension sector for the review year were significantly positive (9.1%), which also gave a strong boost to solvency capital. The solvency ratio, which indicates the ratio of solvency capital and insurance liabilities, strengthened during the year as solvency capital grew faster than insurance liabilities. The solvency position, which refers to solvency capital divided by the solvency limit, remained at the previous year's level (1.6), although the solvency limit rose slightly faster than the solvency capital. The solvency limit was raised by the growth in investment assets and the higher equity allocation.

Among the asset classes, equities, fixed income and other investments had positive returns. Real estate investments made a negative return. During the review year, equity investments, which are also the largest asset class for employee pension institutions, reached the best returns. Employee pension institutions' resilience to equity shocks remained broadly unchanged from the previous year, and was at a reasonable level.

Employee pension insurance sector's solvency development in 2015–2024



Source: The FIN-FSA

Due to an amendment of legislation that entered into force at the beginning of 2017, the solvency position of 2017–2024 is not comparable with previous years.
Solvency ratio is calculated by dividing pension assets by technical provisions.
Solvency position is solvency capital divided by the solvency capital requirement.

FIN-FSA-related topics most visible in the media

1. Investigations related to Oma Savings Bank

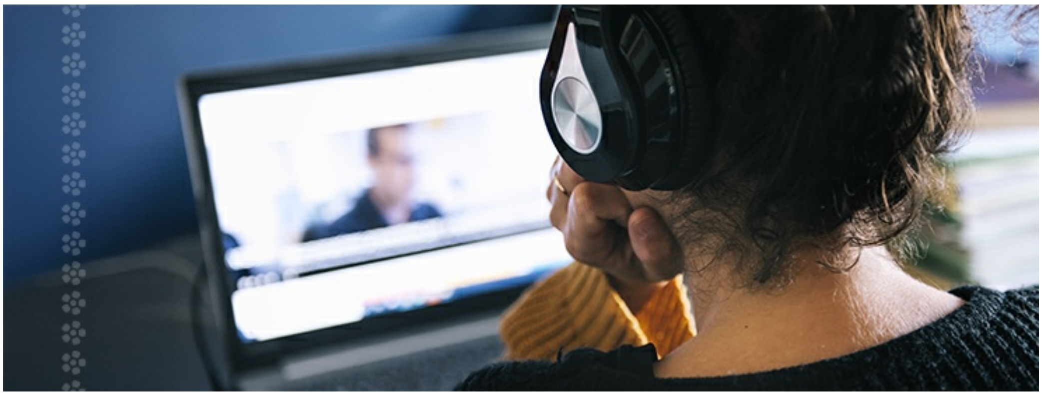
2. Banks' service breaks

3. Regulation of mortgage lending

4. Anti-money laundering

5. Availability and pricing of banking services

1 Further information on the state of the Finnish economy is available in the Bank of Finland's economic review and forecast Finland's economy will pick up gradually and Orastavaa kasvua Suomen taloudessa (in Finnish).



FIN-FSA's supervisory actions in 2024

The FIN-FSA's strategy for 2023–2025 steers supervision and the development of activities. The strategy promotes proactivity and predictability, the utilisation of digitalisation in operations, leadership that supports expertise as well as flexibility and adaptability.

In 2024, the supervisor carried out supervision in line with its established focus areas. These were related to operational and financial risks posed by the unstable operating environment, long-term trends and the reliability of supervised entities' governance.

Macroprudential measures strengthened the resilience of the financial system to structural risks

The FIN-FSA Board makes decisions concerning the use of macroprudential tools in Finland. In June 2024, the FIN-FSA decided to keep the additional capital requirements for Other Systemically Important Institutions (O-SII) unchanged. The FIN-FSA had set a systemic risk buffer at 1% in 2023 and approved the partial application of a Norwegian systemic risk buffer to Finnish banks' exposures in Norway; both of these requirements entered into force in the review year.

In September, the FIN-FSA reciprocated the 7% sector-specific systemic risk buffer requirement set by the Danish macroprudential authority. This requirement applies to Finnish credit institutions' exposures in Denmark with entities operating in the real estate sector. The requirement entered into force on 1 January 2025.

The structural capital buffer requirements entered fully into effect, raising the overall macroprudential buffers to a level deemed sufficient by the FIN-FSA.

On a quarterly basis, the FIN-FSA assessed both the need to set a countercyclical capital buffer requirement for credit institutions and to tighten the maximum loan-to-value ratio, or the loan cap, which limits mortgage lending to households. Market or cyclical developments did not indicate a need to tighten these requirements at any time during the review year.

According to a report prepared during the review year, credit institutions complied well with the FIN-FSA recommendation on a maximum debt-servicing burden for housing loan applicants' loans and housing company-related charges for financial costs as well as restrictions on new housing loans and housing company loans, which entered into force in 2023.

New supervised entities among consumer lenders

Companies granting consumer loans were transferred under FIN-FSA supervision in 2023 when the Act on the Registration of Certain Credit Providers and Credit Intermediaries as well as provisions on the management of default risk in consumer lending entered into force.

Assessments and reviews concerning the fulfilment of the preconditions of registration by these new supervised entities and with regard to their customer protection procedures and default risk management were completed in the first half of the year. These reviews looked into the extent to which the lenders' procedures were in line with the requirements of the new provisions, the content of the new supervised entities' contract terms and their customer complaints handling processes. The reviews showed that individually agreed contract terms had some shortcomings. In addition, they revealed differences among different operators in the management of default risk and shortcomings in their credit granting practices.

Omissions were found in the reporting of changes in registered information. The FIN-FSA updated its register and examined the entities' ownership structures in the same context. Based on applications by the companies concerned to have themselves removed from the register, the FIN-FSA revoked the registration of 14 companies. Removal from the register was conditional on the company no longer granting new consumer credit and having no outstanding credit stock from its previous activity.

Risk management by banks as an object of supervision

The FIN-FSA supervises the largest banks in Finland together with the European Central Bank: Nordea Bank Plc, OP Financial Group, Municipality Finance Plc and Danske Bank A/S Finland Branch. The supervision of other banks is under the FIN-FSA's direct responsibility.

In the review year, the FIN-FSA focused in banking supervision on the management of credit and liquidity risks, compliance with new regulations on interest rate risk as well as questions concerning corporate governance due to changes in the operating environment. Inspections targeted credit and liquidity risks, corporate governance and internal models used in capital adequacy calculation.

The FIN-FSA conducted a review of banks under its direct supervision with regard to the extent to which they comply with regulations on the valuation practices for real estate collateral and how they manage credit risks associated with housing company loans. The most significant shortcomings were related to the valuation of commercial real estate collateral for non-performing exposures, the independence of valuation from the lending decision-making process and the monitoring frequency of the values of real estate collateral.

The FIN-FSA also reviewed how banks comply with the European Banking Authority's (EBA) updated regulations on interest rate risk. Shortcomings were identified both in credit institutions' own approaches and supervisory outlier tests, and particularly in the management of measurement methods and models. Shortcomings in measurement methods and models combined with their inadequate management cast a doubt on the reliability of credit institutions' interest rate risk measurements.

The FIN-FSA participated in a joint crisis exercise of the Nordic and Baltic authorities for financial stability. The exercise tested the authorities' readiness for a potential crisis event affecting a hypothetical bank operating in the Nordic and Baltic countries. Nearly 450 persons from the authorities of different countries and the EU participated in the exercise. A representative of the International Monetary Fund (IMF) was also involved. From the FIN-FSA, approximately 25 persons participated in the exercise.

The importance of attending to ICT and cyber security was highlighted during the year

In the prevailing security situation, particular attention was paid to the operational performance and resilience of services provided by the financial sector. The FIN-FSA monitored cyber security and the functioning of services on an enhanced basis.

During the autumn, the financial sector faced denial-of-service attacks that caused more prolonged disruption to the use of services by customers than before. Denial-of-service attacks also took place more extensively in other Nordic countries, the Baltic countries and Europe. The attacks were covered in the media and societal debate more prominently in Finland than in other Nordic countries.

Different frauds and scams related to payment also increased in 2024. Fraud methods are evolving continuously, and therefore the security of online and mobile banking as well as online payments and technical solutions for strong customer identification must be able to respond to new security threats in electronic payments.

In 2024, the FIN-FSA published a thematic review of the security of online banking, mobile banking and online payments, and recommended that banks develop controls for online banking and mobile payments so that users would have the option to set more versatile security restrictions on their credit transfers than what is currently possible. Such restrictions include, for example, the option to set a daily or one-time usage limit for payments as well as to limit the countries or geographical areas and receiving parties to which payments are directed. In addition, banks should improve the monitoring of potentially fraudulent transactions, blocking them and requesting further confirmations. The FIN-FSA also recommended that banks develop their payment monitoring to be able to more precisely block payments that differ significantly from the customer's previous payment history.

It is important to provide information about different types of scams and to guide customers on secure online transactions. Banks must continue to communicate actively through various channels about the security threats to their services and continue to remind and guide customers on how to use their electronic services securely. In autumn 2024, the FIN-FSA, in cooperation with the Bank of Finland and the Financial Literacy Centre, organised an event targeted at secondary school students on the identification of scams and secure payments.

During the spring, the FIN-FSA surveyed how significant financial sector entities have ensured their disruption resilience under normal and emergency conditions. In the autumn, the FIN-FSA assessed the preparedness of credit institutions operating in Finland to use both the back up account system created to secure the continuity of daily payments and the fallback arrangement for interbank payments.

The FIN-FSA finalised two inspections of ICT and data security risks. A specialist from the FIN-FSA participated in cyber stress tests concerning banks under the European Central Bank's (ECB) direct supervision during the first part of the year.

During the year, preparations were made for the beginning of the application of the regulation on the digital resilience of the financial sector (Digital Operational Resilience Act, DORA) in January 2025. Delays in the finalisation of lower-level provisions complementing the Regulation affected the preparations of the supervised entities and the FIN-FSA alike.

The FIN-FSA continued cooperation in the exchange of information with other financial market authorities in the context of various disruptions affecting the financial markets. Cooperation for the coordination of actions with foreign authorities during operational disruptions continued with the Nordic and Baltic authorities. The FIN-FSA also made preparations to function as the national contact point in the Systemic Cyber Incident Coordination Framework (EU-SCICF).

The solvency and conduct of business supervision in the insurance sector

In the insurance sector, the FIN-FSA directed its supervision in line with its own focus areas and the strategic objectives set out by the European Insurance and Occupational Pensions Authority (EIOPA). The focus areas included the functioning and reliability of supervised entities' governance system, quantitative risks, and real estate risks in investment activities. Supervision focused on consumer protection and, within that area, assessment of the need for insurance cover and the role of supervised entities' boards of directors in questions concerning the code of conduct.

The FIN-FSA mapped non-life and life insurance companies' internal audit procedures and the sufficiency of the competence and resourcing of the function as part of the supervision of governance systems. In this context, shortcomings were identified in ensuring the resourcing and competence of the function as well as in audit plans. The assessment also indicated room for improvement in the interaction between internal audit and the board of directors. EIOPA published a statement on risk factors it had identified in insurance companies' remuneration schemes.

The FIN-FSA examined the operation of non-life and life insurance companies' boards of directors. According to the review, boards of directors have particular room for development in terms of the adequacy of the governance system, assessment of risk appetite, dialogue on the board and interaction with personnel. As a good practice, the supervisor highlighted a model where interaction by the board was recorded clearly and, based on the minutes, the board of directors exercised strong steering over the operations of the company.

The FIN-FSA conducted four inspections of unemployment funds and gave recommendations based on the findings on issues including the outsourcing of a public administrative duty, written policies, internal audit and upholding the professional competence of management.

The survey of pension foundations and funds providing statutory pension insurance showed that the entities' policies for risk management and internal control were mainly appropriate. The FIN-FSA reminded entities that policies concerning risk management and internal control must be made in writing and adopted by the board of directors, and that their up-to-dateness must be assessed on a regular basis.

The FIN-FSA conducted an in-depth analysis of non-life insurance companies' reinsurance arrangements with respect to their risk-mitigation characteristics, effectiveness, accuracy of calculations, basis and counterparty risks as well as opinions of the actuarial function. The results of the analysis emphasised the need for continuous evaluation as reinsurance arrangements change. It is particularly important for primary insurers to ensure that insurance terms and conditions and underwriting policies reflect the changing content of reinsurance contracts.

EIOPA carried out stress tests on a group of European non-life and life insurance companies. The FIN-FSA augmented the stress test to cover a group of insurance companies and groups as well as employee pension institutions selected at the national level. Based on the results, the FIN-FSA determined that the Finnish non-life and life insurance sector would withstand the impacts of a severe and immediately realising stress scenario without a deterioration of their solvency. The solvency of the employee pension institutions withstood the stress scenario's impact on liquid investments well. After a very severe and unlikely rapid deterioration affecting illiquid investments, in the absence of special measures, the solvency situation would have been weak.

A thematic review of pension insurers found that the fair values of real estate investments as at end-2023 were mainly up to date and had undergone an assessment by an independent external appraiser. The fair values of pension insurers' real estate investments reflected the weakened situation in the real estate markets, and the largest write-downs had been made to offices and residential real estate, which are also the largest categories of real estate. Similar findings were also made in the supervision of non-life and life insurance companies' real estate investments.

Based on the boards of directors' minutes, the FIN-FSA assessed key procedural questions concerning policyholders, such as any references to processing times and the number of complaints raised on the boards of directors of employee pension companies and the largest life and non-life insurance companies. There were significant company-specific differences in the handling of procedural issues by the companies' boards of directors as well as variance in the manner of record-keeping. The FIN-FSA recommended that the boards of directors of the companies pay particular attention to ensuring the regulatory compliance of their main service processes.

The FIN-FSA also reminded the companies of the importance of assessing the customer's need for insurance and the clarity and understandability of the marketing of company specific expense loading components by employee pension companies.

New applications
for registration in the
insurance agent register
323
(2023: 467)

Applications
for change in the
insurance agent register
835
(2023: 6,103)

Exceptional number of investigation requests and observations concerning prospectuses and IFRS compliance

The quality of prospectuses submitted to the FIN-FSA for review in spring 2024 was weaker than before. The FIN-FSA highlighted the deteriorating quality of prospectuses in its Market Newsletter in the summer.

The number of supervisory observations made in IFRS Enforcement (International Financial Reporting Standards) increased. The observations were concerned with basic issues in a context where the uncertainty of the operating environment makes reporting increasingly complex. The new sustainability reporting obligation is the largest reporting change for listed companies since the introduction of the IFRSs, and it requires significant resources from the companies. The FIN-FSA published the focus areas in the supervision of listed companies proactively in events arranged for listed companies towards the end of last year.

In the supervision of market abuse, the FIN-FSA guided investment service providers in the supervision of wash trades and adoption of good practices. As regards EU regulations, amendments to the Market Abuse Regulation entered partly into force towards the end of the year. The FIN-FSA decided that the notification threshold for managers' transactions in Finland be aligned with the Regulation at EUR 20,000 (previously EUR 5,000).

At the beginning of May, the FIN-FSA exceptionally published a release on a request for investigation it had filed with the police concerning suspected securities market offences related to Oma Savings Bank. The release confirmed that the request for investigation disclosed by the police had come from the FIN-FSA.

In 2023, the FIN-FSA imposed a prohibition on Ermitage Partners from continuing and repeating the provision of investment service in violation of the Investment Services Act. By a decision issued on 27 November 2024, the Helsinki Administrative Court decided to keep the prohibition in force. This decision is not yet legally binding.

OP Corporate Bank Plc joined the Euribor Panel of the European Money Market Institute (EMMI). As part of the college of the European Securities and Markets Authority (ESMA), the FIN-FSA supervises the activities of OP Corporate Bank Plc as a member of the Euribor Panel.

The FIN-FSA carried out an annual survey of fund managers and investment service providers. The survey revealed shortcomings in, among other things, the composition of the boards of directors of authorised firms with respect to the management of conflicts of interest, in supervision and audit measures by the compliance function, the allocation of time and outsourcing. The FIN-FSA published a report of its findings and views about the application of regulations and on issues requiring particular attention by the companies.

In its supervisory activities in 2024, the FIN-FSA paid attention, among other things, to developments in the real estate sector affecting the valuations of real estate both as investments and collateral by real estate funds and supervised entities. The FIN-FSA assessed the remediation of shortcomings identified in a stress test concerning the management of liquidity by managers of open-ended real estate funds. The FIN-FSA had identified these shortcomings in a thematic review in 2023. The FIN-FSA also reviewed redemptions from open-ended real estate funds on a monthly basis. During the review year, two inspections concerning risk management by managers of open-ended real estate funds were completed, and towards the end of the year, the FIN-FSA started inspections concerning the valuation of open-ended real estate funds.

In a press conference on 12 September 2024, the FIN-FSA made a statement on the situation of real estate funds: There had been net redemptions and negative revaluation adjustments in 2024, which had also caused some degree of increase in leverage. Starting from 2023, open-ended real estate funds have reduced their subscription and redemption frequency and increased the use of liquidity management tools. As their liquidity situation has deteriorated, individual real estate funds have also temporarily restricted or suspended redemptions in 2023 and 2024.

At the beginning of 2025, the suspensions of redemptions from real estate funds were raised as a media topic, and the FIN-FSA's specialists have actively engaged in discussion on the subject in the media.

MiCA Regulation concerning crypto-asset operators entered gradually into force

The EU’s Market in Crypto-Assets Regulation (MiCA) entered gradually into force in 2024, and it applies fully from the end of 2024.

The Regulation requires crypto-asset service providers (CASPs) to comply with several established financial market requirements. These requirements are related, among other things, to governance, management’s competence, own funds, transparency of information, information security and the management of conflicts of interest.

By the deadline, the FIN-FSA received seven applications for authorisation as a CASP from companies registered under the prevailing law. The right to provide services related to virtual assets will end if they are not granted an authorisation by the end of the transition period at the latest.

Supervision of anti-money laundering

The supervision of anti-money laundering (AML) is based on an anti-money laundering strategy prepared for 2023–2024, which centres on communication and guidance as well as supervisory activities and risk assessment. The joint impact of these measures is geared to implement AML supervision on a holistic basis.

In 2024, the FIN-FSA finalised anti-money laundering inspections on in one credit institution, two payment service providers and one virtual asset service provider. Moreover, the supervisor started three inspections that will be completed after the turn of the year. The number of inspections of anti-money laundering and the supervision of conduct concerning sanctions has stabilised at five (moving 12-month average), in line with the target.

AML supervision covers several supervision sectors, and the FIN-FSA met with approximately 60 supervised entities during the review year. AML supervisors also participated for the first time in meeting with employee pension insurers.

The FIN-FSA imposed penalty payments on two money remitters for omissions concerning AML regulation. The omissions were concerned, among other things, with threshold value reporting and the assessment of the risk of money laundering and terrorist financing associated with customer relationships.

The FIN-FSA examined the compliance by consumer lenders that were moved to under its supervision in 2023 with their obligations under the AML Act. According to the review, the FIN-FSA’s active measures have had a positive impact on enhancing the entities’ awareness of money laundering and terrorist financing risks as well as risk management. The majority of the entities have reacted swiftly to the FIN-FSA’s requests for further clarifications. Based on feedback given by the FIN-FSA, the operators have developed their internal risk management processes to enhance the effectiveness of anti-money laundering.

In autumn 2024, the FIN-FSA launched its first inspection of compliance with sanctions. The FIN-FSA also prepared a risk assessment on sanctions compliance. Exposure to sanctions risk is elevated in sectors providing various types of cross-border payment services that enable one to transfer funds fast and easily from one place to another. These include, for example, credit and payment institutions providing international payment services. These operators should pay particular attention to the level of policies, procedures and internal control. Money remitters and virtual asset service providers should also ensure that they have sufficient policies and procedures in place to comply with sanctions regulations.

The FIN-FSA also prepared an assessment of money laundering and terrorist financing risks concerning virtual asset service providers. The risk associated with the products and services provided by the sector is very significant, as they enable cross-border person-to-person payments in near real time. In addition, in many cases it is very difficult to identify the parties involved in virtual asset transfers. With a few exceptions, however, these activities are still limited in terms of number of customers and geographical scope.

A working group on the reform of the Anti-Money Laundering Act began its work after the adoption of the European Union (EU) Anti Money Laundering (AML) package. The FIN-FSA is participating actively in this work and in preparations for the beginning of the work of the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA).

Investigation requests submitted to the police
18
(2023: 8)

Penalty payments
9
(2023: 0)

Public warnings
0
(2023: 1)

Administrative fines
1
(2023: 1)

Themes for 2024

The FIN-FSA's releases and texts, such as blogs, published in 2024 highlighted the current themes for the year.

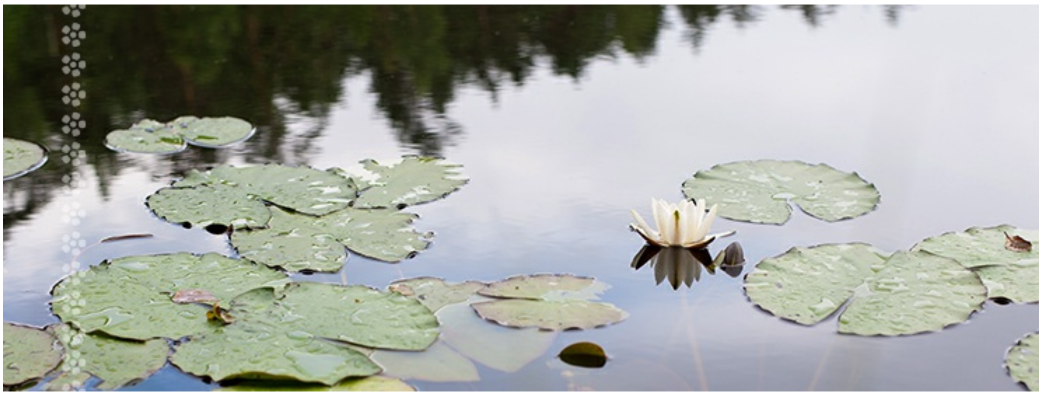
Sustainability aspects continued to be a talking point throughout the year due to related regulation, and the FIN-FSA also organised a seminar on the topic.

New supervision groups were established for the supervision of anti-money laundering and counter-terrorist financing, and a risk assessment was made on the monitoring of compliance with sanctions.

Scam prevention surfaced as a theme in early 2024, and cyber security was a prominent theme towards the end of the year due to cyber incidents.

The 10th anniversary of the Single Supervisory Mechanism and the joint crisis exercise of the Nordic and Baltic countries highlighted the importance of uniform banking supervision.

Meanwhile in insurance supervision, European stress tests and ensuring sound governance emerged as leading topics.



Sustainability aspects of the financial sector

This page collates the FIN-FSA's key releases and texts on the sustainability theme in 2024.

In 2024, sustainability aspects emerged as increasingly important topics in the financial sector on the back of new regulations. A FIN-FSA seminar in June 2024 addressed a wide variety of sustainability-related topics. The seminar emphasised the transition to a more sustainable economy from a climate and environmental perspective, the clarity of sustainability information and the significance of risk management. The seminar offered an important forum for dialogue and the exchange of information, and its conclusions will support the continuous development of the financial sector towards a more sustainable future.

- Sustainability aspects of the financial sector as a theme in FIN-FSA seminar on 5 June (in Finnish)

Banks migrating to a more sustainable economy from a climate and environmental perspective

In 2024, the FIN-FSA has delved into banks' transition risks. Banks are exposed to changes in the economy and the materialisation of climate risks, but transition to a more sustainable economy involves numerous financing opportunities.

The FIN-FSA emphasises that banks must consider sustainability risks as part of their broader risk management process. This means that sustainability aspects must be integrated into banks' strategy and functions to that banks can manage and mitigate the risks effectively. The role of risk management related to sustainability is particularly highlighted in the current economic environment where the impacts of climate change and environmental degradation may be significant.

- Banks migrating to a more sustainable economy from a climate and environmental perspective (in Finnish)

Thematic review of investment funds' sustainability disclosures

In 2024, the FIN-FSA conducted a thematic review of investment funds' sustainability disclosures and their clarity. According to the first phase of the review, completed in the spring, greenwashing risk is currently considered in a rather limited manner in investment fund activities. Greenwashing risk means, for example, that funds are marketed as sustainable and more environmental than they actually are. The FIN-FSA recommends that fund managers pay particular attention to this risk and ensure that funds' sustainability claims are justified and truthful.

In the second phase of the thematic review, completed in the autumn, it was stated that funds must enhance their sustainability disclosures so that investors could make data-based decisions. Clear and transparent sustainability disclosures are key in the promotion of sustainable finance, and the FIN-FSA underlines that funds must present sustainability risks and impacts understandably and comprehensively.

- Thematic review:Greenwashing risk taken into account in a relatively limited manner in

investment fund activities
- Thematic review:FIN-FSA calls attention to the clarity of investment funds' sustainability disclosures and the role of risk management in monitoring sustainability risks

Artificial intelligence was used in writing the article. However, the article was finalised and reviewed by FIN-FSA's specialists.

New supervised entities in AML/CTF supervision

This page collates the FIN-FSA's key releases and texts on the prevention of money laundering and terrorist financing in 2024.

The FIN-FSA anti-money laundering and counter-terrorist financing activities in 2024 focused on, among other things, virtual asset service providers and consumer lenders as well as the assessment of sanctions risk. These areas have a need for continuous supervision and the development of supervision in order to respond to increasingly complex threats.

Virtual asset service providers as a significant risk group

In November 2024, the FIN-FSA published a summary of the anti-money laundering and counter-terrorist financing risk assessment concerning virtual asset service providers. According to the assessment, the anonymous nature and worldwide availability of virtual assets make them attractive to criminal operators. They enable cross-border person-to-person payments in near real time. In addition, in many cases it is very difficult to identify the parties involved in virtual asset transfers.

With regard to risk controls, there are significant shortcomings in the sector in, for example, risk assessment and organising operations in compliance with regulation. There is also room for improvement in procedures for the ongoing monitoring of customer relationships.

National regulations on virtual asset service providers have been replaced by the EU Regulation on markets in crypto-assets (MiCA Regulation). Entities entered in the register of virtual asset service providers must apply for authorisation as crypto-asset service providers (CASPs) in accordance with the new Regulation if they intend to continue their operations. In the authorisation process, the FIN-FSA will pay particular attention to verifying that procedures for the prevention of money laundering and terrorist financing have been arranged in accordance with the regulatory requirements.

- A summary of the risk assessment of money laundering and terrorist financing for virtual asset service providers has been published

Consumer lenders as a new group of supervised entities

In 2023, the year preceding the review year, consumer lenders came under the supervision of the FIN-FSA. A review concerning their anti-money laundering and counter-terrorist financing activities revealed a varying degree of risk management shortcomings.

According to the review, the FIN-FSA's active measures have had a positive impact on enhancing the entities' awareness of ML/TF risks and thereby also on their risk management. The majority of the entities have reacted swiftly to the FIN-FSA's requests for further clarifications. They have embraced the feedback given by the FIN-FSA by developing their internal risk management processes in order to combat money laundering more effectively. The findings of the review will be used as a basis for targeting risk-based ongoing supervision.

The FIN-FSA also examined the up-to-dateness of information in the register, whether registered entities meet the requirements for registration, and updated the registered information of several entities to better correspond to current regulatory requirements.

In ongoing supervision, the FIN-FSA will pay attention to ensuring that the entities notify any changes to information entered in the register.

- Consumer lenders have various shortcomings in AML/CFT risk management; registered information on supervised entities assessed and updated

Sanctions risk assessment

In autumn 2024, the FIN-FSA published a summary of its sanctions risk assessment. The risk assessment covers sectors supervised by the FIN-FSA under the Anti-Money Laundering Act. The sanctions risk assessment assesses, for each sector, the policies, procedures and internal controls in place to comply with sanctions regulations and national freezing orders in relation to the sector's risk exposure.

According to the risk assessment, exposure to sanctions risk is elevated in sectors providing various types of cross-border payment services that enable one to transfer funds fast and easily from one place to another. These include, for example, credit and payment institutions providing international payment services. These operators should pay particular attention to the level of policies, procedures and internal control.

Money remitters and virtual asset service providers should also pay particular attention to ensuring that they have sufficient policies and procedures in place to comply with sanctions regulations. The level of controls and the risks related to deficiencies in controls were relative to the requirements set out in the law and the FIN-FSA's regulations and binding guidelines.

In connection with the summary of the sanctions risk assessment, information obtained through cooperation between authorities and from reliable public sources on identified ways of evading sanctions was also published. The purpose of this was to provide supervised entities with information they can utilise when preparing their own policies and procedures to prevent sanctions evasion.

- The Financial Supervisory Authority has published a summary of its sanctions risk assessment

Artificial intelligence was used in writing the article. However, the article was finalised and reviewed by FIN-FSA's specialists.

Cyber security and scam prevention more important than ever

This page collates the FIN-FSA's key releases and texts on cyber security and scam prevention in 2024.

Improving the security of using banking services emerged as a significant theme in 2024. Crypto investment scams and payment-related frauds have become increasingly common, and supervisory authorities have highlighted the need to develop tighter and more up-to-date methods for scam prevention.

Crypto investment scams increased

In 2024, crypto investment scams increased again. Victims have limited access to help in problem situations. Scams may be difficult to track down due to the nature of crypto currencies, and the victims have limited ways to recover the funds. This has emphasised the need to raise awareness and provide further education on the safe use of crypto currencies. Scams are often international.

- Crypto scams have increased – victims have only limited recourse (in Finnish)

Payment-related scams

Scams and frauds related to payments are a growing phenomenon, which has aroused concern both among customers and authorities. According to a review by the FIN-FSA, the security of using banking services could be improved in many ways. Banks must pay particular attention to the security mechanisms of systems and to providing guidance to their customers on fraud detection and avoidance. Raising awareness and effective security measures play a key role in fraud prevention.

- Payment-related frauds and scams are a growing phenomenon – Financial Supervisory Authority investigation reveals scope for improving security of banking transactions

Security of online banking, mobile banking and online payments

In 2024, the FIN-FSA conducted a survey and provided recommendations on the security of online banking, mobile banking and online payments.

The FIN-FSA recommends that banks develop controls for online banking and mobile payments so that users would have the option to set more versatile security restrictions than at present on their credit transfer-based payments. Such restrictions include, for example, the option to set a daily or one-time usage limit for payments as well as to limit the geographical areas to which payments can be made.

Moreover, the FIN-FSA also recommends that banks develop their payment monitoring to be able to more precisely block payments that differ significantly from the customer's previous payment history, for example based on the amount of the payment or parties to which the customer has previously sent payments.

Banks must continue to communicate actively through various channels about the security threats to their services and continue to remind and guide customers on how to use their electronic services securely.

- Security of online banking, mobile banking and online payments

ECB's cyber resilience stress tests

During 2024, the European Central Bank (ECB) tested banks' resilience to cyber security incidents. These tests showed that banks must improve their preparedness to ward off cyber attacks and maintain cyber security. The tests also revealed weaknesses and areas of development in banks' cyber preparedness, giving rise to recommendations to fortify cyber security management and resources.

For example, banks should ensure that they have appropriate continuity, communication and recovery plans that consider a wide enough range of cyber risk scenarios. Banks should also be able to meet their own recovery objectives and assess their dependencies on critical third-party ICT service providers. Moreover, they should be able to estimate direct and indirect losses from a cyber attack.

- ECB concludes cyber resilience stress test

Preparedness situation

In 2024, the FIN-FSA carried out a thematic review of supervised entities' level of preparedness. According to the thematic review, preparedness has improved in recent years. Supervised entities must ensure that their contingency plans are comprehensive and up to date. This includes regular tests and assessments helping to identify potential shortcomings and enhance capabilities.

Contingency plans must provide clear instructions on how to act in various crisis events, such as natural disasters, financial crises or cyber attacks. These plans must be flexible and modifiable to changing circumstances, and they must be updated on a regular basis in order to correspond to current threats.

The FIN-FSA also recommends that supervised entities participate regularly in crisis management exercises together with other financial branch operators and authorities. These exercises enable testing of the performance of continuity plans and enhancing cooperation among various operators.

The preparedness situation is also monitored by inspections and thematic reviews. Furthermore, the Digital Operational Resilience Act (DORA), which entered into force in January 2025, harmonises requirements for the digital resilience of the financial sector across the EU.

- Thematic review: Preparedness situation (in Finnish)

Artificial intelligence was used in writing the article. However, the article was finalised and reviewed by FIN-FSA's specialists.

Anniversary of the Single Supervisory Mechanism in banking supervision

This page collates the FIN-FSA's key releases and texts on banking supervision in 2024.

Ten years of the SSM – from scattered beginnings into the banking union's fist

The Single Supervisory Mechanism (SSM) of the European Central Bank celebrated its ten-year journey in autumn 2024. Since its beginning in 2014, the SSM has sought to enhance banking supervision and safeguard financial stability in the European Union. The SSM has grown into a prominent role as a supervisor in Europe.

In its first years, the SSM focused on devising uniform supervision practices and standards to ensure consistent banking supervision across all member states. This was crucial, because banking crises at the beginning of the 21st century demonstrated the vulnerability of the European banking system. Uniform practices and more stringent supervision have reduced risks and improved banks' capital adequacy.

The SSM plays a key role and supervises hundreds of banks in different parts of Europe. It has succeeded in strengthening supervision and increasing the transparency and reliability of banks. In the future, the SSM will play an ever more important role, as it continues to enhance banking supervision and ensure that banks comply with regulatory requirements.

- SSM 10 years – from scattered beginnings into the banking union's fist (in Finnish)

Nordic and Baltic crisis simulation exercise 2024

In the autumn, authorities responsible for financial stability in the Nordic and Baltic countries tested their preparedness for a potential crisis situation in an exercise concerning the management of a simulated financial crisis involving three fictitious banks active in the Nordic-Baltic region. The exercise involved the participation of nearly 450 people, representing authorities from Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden as well as relevant European Union authorities: European Commission, ECB, Single Resolution Board (SRB) and European Banking Authority (EBA). A staff member of the International Monetary Fund was invited and took part as an observer.

The purpose of the exercise was to test communication, information sharing and collaboration between the authorities during crisis management in an environment with a high level of uncertainty and under time pressure. The exercise was based on a crisis scenario where the fictitious banks went through the following three phases that could be foreseen in a bank crisis management process:

1. from normal business to recovery including liquidity provision
2. from recovery to resolution with resolution authorities assuming control of the bank and

3. after resolution, a return of the restructured bank to the market.

During the exercise, the authorities applied the tools and powers at their disposal according to the EU regulatory framework for banking supervision and crisis management.

Following the successful conclusion of the exercise, the authorities will document and share lessons learned and integrate them into their existing crisis management routines, in order to develop their crisis preparedness and further enhance the crisis management framework in the Nordic-Baltic region.

A preparation team under the Nordic Baltic Stability Group (NBSG) was established in 2023 to prepare the exercise. The Nordic and Baltic authorities have agreed to conduct financial crisis simulation exercises in the context of the NBSG on a regular basis.

- Nordic and Baltic crisis simulation exercise 2024

Differences in Finnish banks’ impairment staging of loans

In 2024, the FIN-FSA conducted a thematic analysis of impairment classifications by Finnish banks, and the results revealed differences among banks. Differences in impairment staging undermine the comparability of banks and the predictability of changes in credit risks.

The importance of appropriate classifications as well as adequate and timely recognition of impairments is particularly highlighted in the current environment of elevated risks. Excessively low and delayed loan loss provisioning may, if the risks materialise, lead to higher impairments and a weakening of banks’ capital adequacy.

- Differences in Finnish banks’ impairment staging of loans – Timely and adequate loan loss provisioning requires effective credit risk management

Artificial intelligence was used in writing the article. However, the article was finalised and reviewed by FIN-FSA’s specialists.

Governance under scrutiny in the insurance sector

This page collates the FIN-FSA's key releases and texts on insurance supervision in 2024.

In 2024, stress tests were conducted in the supervision of the insurance sector to gauge the sector's risk resilience and the operability of its practices for governance and boards of directors. The focus areas of FIN-FSA supervision for 2024 included reliable governance and preparedness for uncertainty in the operating environment.

Insurance companies' governance under particular scrutiny

In 2024, the FIN-FSA has paid particular attention to the working and control practices of insurance companies' boards of directors. Both strong good practices and significant areas of development have been identified in the operation of insurance companies' boards of directors. In particular, the importance of the identification and prevention of conflicts of interest was highlighted as a crucial part of sound corporate governance.

The FIN-FSA found that there is significant variation in the quality of material prepared for insurance companies' boards of directors. Some companies have excellent practices that support efficient and transparent decision-making while, for some companies, the supervisor recommends improvements to documentation and compliance with the code of conduct.

- Room for development in the operation of insurance companies' boards of directors (in Finnish)
- Observations about conduct in the minutes of insurance companies' boards of directors (in Finnish)
- Thematic review: Employee pension companies must identify and prevent conflicts of interest (in Finnish)
- Strong good practices but also significant variation as well as identifiable areas of development in materials of insurance companies' boards of directors (in Finnish)

The customer's need must be assessed when selling insurance products

The FIN-FSA reminded insurance companies of the importance of assessing the customer's need for insurance. This also concerns aspects other than pure new business: for example, when the insurance company decides to cancel an insurance portfolio and offer "new policies to replace the old ones", the customers' need for insurance must be reviewed.

- Insurance needs may change – FIN-FSA reminds insurance companies to verify the need for insurance (in Finnish)

Clarity and understandability are important in the marketing of employee pension companies

FIN-FSA issued guidelines on the marketing of expense loading components of insurance premiums, highlighting the clarity and understandability of the information given. The estimate concerning the expense loading components of insurance premiums must present in clear and understandable terms any relevant assumptions and other factors affecting the component, on which the estimate is based. When an employee pension company presents a comparison of its expense loading components with those of other companies, it must pay particular attention to the information and expressions used, ensuring comparability, illustrativeness and relevance for the customer.

- Practical interpretation of guidelines on employee pension companies' expense loading components (in Finnish)

Pension insurers' real estate investment valuations were appropriate

In its assessment, the FIN-FSA determined that the fair values of pension insurers' real estate investments were largely up to date as of the end of 2023 and had been reviewed by an independent external appraiser. Pension insurers had largely reflected the weakened real estate market conditions in the fair values of their real estate investments. The largest write-downs had been made in their largest real estate classes: offices and residential real estates. The FIN-FSA also supervises non-life and life insurance companies' real estate investments, making findings similar to those for pension insurers.

- Return on insurance sector's direct real estate investments fell to negative territory in 2023, valuation practices mainly appropriate (in Finnish)

In-depth analysis of reinsurance risks

Reinsurance was one of the focus points of insurance supervision by the FIN-FSA and the European Insurance and Occupational Pensions Authority (EIOPA) in 2024. In April, EIOPA published a statement on the supervision of non-equivalent third-country reinsurers. Inflation and natural disasters and pandemics in previous years have reduced the rate of return of reinsurance and toughened the market, which emphasises the need for the management of basis risk by primary insurers.

The FIN-FSA conducted an in-depth analysis of reinsurance risks in 2024, and its results will be published in 2025. The in-depth analysis delved into non-life insurance companies' reinsurance arrangements with respect to their risk-mitigation characteristics, effectiveness, the accuracy of calculations, basis and counterparty risks as well as opinions of the actuarial function.

- Reinsurance – topical supervision theme (in Finnish)

Practices and resourcing of internal audit under review

In 2024, the FIN-FSA examined how non-life and life insurance companies had organised their internal audit function and ensured its appropriate implementation. At the same time, the FIN-FSA reviewed what kind of policies, guidance and tools the companies utilise in audit activity to ensure independence and effectiveness.

Based on the outcome of the review, the FIN-FSA issued recommendations, good practices and development topics to help strengthen internal audit's duty and position, independent of operational activities, to carry out audits and potentially other reviews concerning the company's activities extensively and to report on them to senior management.

Twenty-two non-life and life insurance companies authorised in Finland participated in the survey. Findings based on the survey support previous observations from ongoing supervision, according to which there are significant differences in the procedures and resources of internal audit in different companies.

According to the findings, there are shortcomings in ensuring the resources and competence of the function, in the quality and extent of audit plans, and also room for development in the interaction between internal audit and the board of directors.

- Thematic review of non-life and life insurance companies' internal audit function – significant differences in practices and resources (in Finnish)

Insurance sector event reached 180 industry representatives

In December, the FIN-FSA arranged a traditional supervised entities' event for non-life and life insurance companies. Representatives from almost 180 companies attended to the event. In the event, topical supervisory themes were addressed, best practices shared and upcoming regulatory requirements discussed. These events provide an opportunity for the exchange of information and experiences, and ensure that all operators are up-to-date with the latest requirements.

In December, there was also a supervised entities' event for unemployment pension institutions and sickness funds, where the FIN-FSA's representatives discussed topical supervisory issues and the impacts of amendments to reporting and regulation. In addition, the focus areas of supervision for the following year where shared in the event.

Moreover, the FIN-FSA organised separate events for unemployment funds and insurance companies' contact persons for agents.

- Almost 180 representatives of non-life and life insurance companies convened in traditional year-ending event for supervised entities arranged by Life and Non-life Insurance division (in Finnish)
- FIN-FSA supervised entities' event for employee pension institutions and unemployment funds highlighted current and upcoming supervisory topics (in Finnish)

Artificial intelligence was used in writing the article. However, the article was finalised and reviewed by FIN-FSA's specialists.

Management and personnel

Staff 2024

All FIN-FSA staff
257
(2023: 248)

58% (58%) **42%** (42%)

Management
34
(2023: 34)

44% (47%) **56%** (53%)

Experts
223
(2023: 214)

60% (59%) **40%** (41%)

Board »

Management Group »

Board

In the supervision of the financial markets, the Board's key task is to set specific objectives for the FIN-FSA duties under sections 3 and 3a of the Act on the Financial Supervisory Authority and for the FIN-FSA's activities, to decide on its overall strategy, and to direct and supervise the achievement of these objectives and compliance with the strategy.

The Board's other tasks in the supervision of the financial markets include the adoption of such regulations based on law and guidelines that have not been vested with the Director General as well as deciding on administrative sanctions and on the use of macroprudential instruments.

The Board's key tasks concerning the FIN-FSA's administration include the review of its annual budget and submitting it to the Board of the Bank of Finland for confirmation. In addition, at least once a year, it supplies the Parliamentary Supervisory Council with a report on the FIN-FSA's operational objectives and their achievement. This includes an assessment of expected changes in supervision, their impact on the accumulation of supervision fees and measures required by the expected changes. In addition, the Board shall consult financial market participants as well as representatives of consumers and other users of financial services annually on the objectives set for supervision and their achievement, the budget and the abovementioned assessment of expected changes in supervision, their potential effect on the accumulation of supervision fees, and measures required by foreseeable changes.

The photo shows the Board of the Financial Supervisory Authority in January 2025
Back row: Pauli Kariniemi, Martti Hetemäki and Lasse Heiniö
Front row: Liisa Siika-aho, Marja Nykänen and Leena Kallasvuo
Photo: Antti Aimo-Koivisto / STT-Lehtikuva

Board 2024

Chair **Marja Nykänen**
LLM (trained on the bench), Deputy Governor of the Bank of Finland

Vice Chair **Pauli Kariniemi**
LicSc Econ, MSc Econ, Attestation Erasmus, Head of Department, Director General, Ministry of Finance

Liisa Siika-aho
MSc Admin, Head of Department, Director General, Ministry of Social Affairs and Health

Lasse Heiniö
MSc, (SHV) actuary approved by the Ministry of Social Affairs and Health

Leena Kallasvuo
MSc Econ

Martti Hetemäki
DSocSc, Professor of Practice, Aalto University, University of Helsinki

The deputy member for Marja Nykänen was Head of Department **Katja Taipalus** (DSocSc, Head of

Department, Bank of Finland). The deputy member for Pauli Kariniemi was **Paula Kirppu**, LLM, Legislative Counsellor. The deputy member for Liisa Siika-aho was **Jaana Rissanen**, LLM, Director.

The Secretary to the Board was Chief Legal Advisor **Merja Lehtimäki** (as of 1 March 2024). The Board convened 36 times during the year. Fees paid to the members and deputies in the year totalled EUR 92,380.

- CVs of the members of the Board, composition of the Parliamentary Supervisory Council, organisation chart: finanssivalvonta.fi/en > FIN-FSA > Organisation and tasks

Management Group

Photo from left to right: Milka Lahnalammi-Vesivalo, Jyri Helenius, Janne Häyrynen, Samu Kurri, Riikka Kantola, Kaisa Forsström, Tero Kurenmaa, Marko Myller and Antti Pärnänen
Armi Taipale is not in the photo.
Photo: Emmi Korhonen / STT-Lehtikuva

Tero Kurenmaa
LLD, LLM
Director General, Chair of the Management Group

Jyri Helenius
MSc Eng
Deputy Director General, Head of Department, Director General's Staff

Kaisa Forsström
LLM
Head of Insurance Supervision

Samu Kurri
MSocSc
Head of Digitalisation and Analysis

Marko Myller
MSocSc
Head of Banking Supervision

Armi Taipale
LLM, MSc Econ
Head of Supervision of Capital Markets

Janne Häyrynen
LLM, DSc Econ, Docent in Securities Market Law
Head of Unit, Legal

Riikka Kantola
BBA
Specialist, representative of the personnel

Antti Pärnänen
Msc Econ, MSc
Team Leader, secretary to the Management Group

Milka Lahnalammi-Vesivalo
MSocSc
Head of Communications, right to attend Management Group meetings

The Management Group convened 51 times during the year. The Director General's salary and fees totalled EUR 248,000.62. Salaries and fees paid to the other Management Group members totalled

EUR 1,011,507.88.

CVs of the members of the Management Group and its Secretary: finanssivalvonta.fi/en > About us > Organisation and tasks

Financial Supervisory Authority in brief

The Financial Supervisory Authority (FIN-FSA) is the authority for the supervision of Finland's financial and insurance sectors. Its supervised entities include banks, insurance companies and authorised pension insurers, as well as others active in the insurance business, investment firms, fund management companies, and the stock exchange. 95% of our activities are funded by the supervised entities; the remaining 5% comes from the Bank of Finland.

Administratively, the FIN-FSA operates in connection with the Bank of Finland but, in its supervisory work, it takes its decisions independently. At the end of the review year, FIN-FSA's personnel amounted to 257. Our office is located in Helsinki.

The objective our activities is the stable operation of credit, insurance and pension institutions and other supervised entities required for the stability of the financial markets. Another objective is to safeguard the best interests of the insured and to maintain public confidence in the operation of the financial markets. Furthermore, it seeks to foster compliance with good practices in the financial markets and public awareness of the financial markets. These objectives and tasks have been laid down in the Act on the Financial Supervisory Authority.

We work in the interests of the users of banking, insurance and investment services.

Hearings of specialists in parliamentary committees
24
(2023: 26)

Submissions on draft legislation
53
(2023: 39)

Other submissions related to the financial sector
53
(2023: 48)

Responsibility at the FIN-FSA

Responsibility stems from the core of the FIN-FSA's activities. Our statutory task is to ensure financial stability, confidence in the financial markets as well as customer and investor protection and the protection of the insured. Through our work, we also respond to major societal challenges, such as climate change, demographic and geopolitical changes and the prevention of cyber threats. Together with other authorities and financial sector institutions, we play a key role in the prevention of money laundering and terrorist financing.

These actions are described in more detail in the thematic summaries of this annual report and in the chapter FIN-FSA's supervisory actions in 2024.

The FIN-FSA's values are 'dynamic', 'responsible', 'productive' and 'together', and they are guidelines for responsible action in all activities within the FIN-FSA.

The FIN-FSA operates administratively in connection with the Bank of Finland, and therefore more information about our sustainability efforts can be found on the Bank of Finland website.

Summary of FIN-FSA's activities in 2024

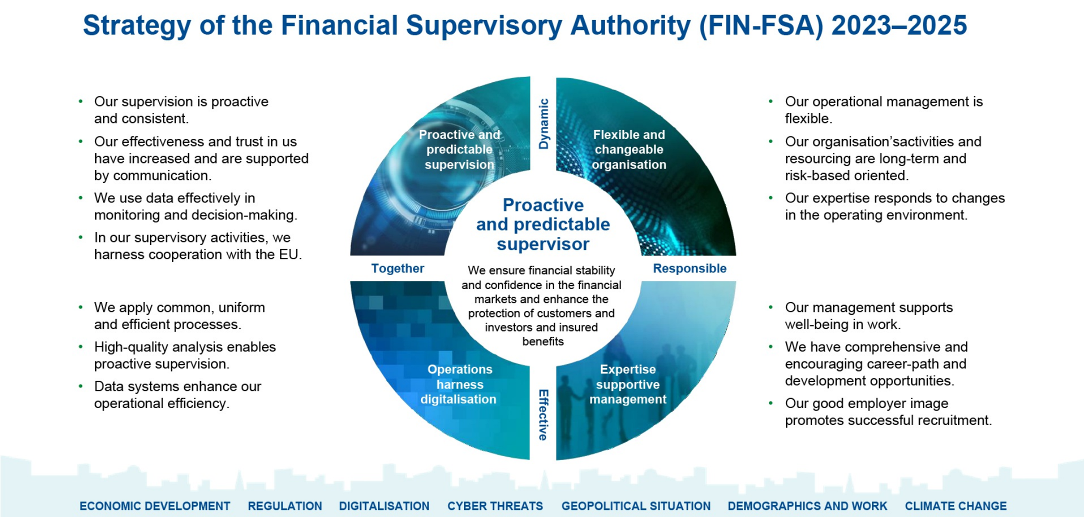
The activities of the Financial Supervisory Authority are aimed at ensuring financial stability and the necessary smooth operation of credit, insurance and pension institutions, and other supervised entities, so as to safeguard the interests of the insured and maintain confidence in the financial markets. (Act on the Financial Supervisory Authority, section 1)

The focus areas in FIN-FSA supervision in 2024 were related to operational and financial risks posed by the unstable operating environment, long-term trends and the reliability of supervised entities' governance.

As regards reliable governance, the FIN-FSA emphasised internal governance systems, outsourcing risks and their management, in addition to data quality. In terms of operational risks, sanctions monitoring, preparedness and continuity management were highlighted. Financial risks in focus comprised vulnerability of the capital markets, valuation of illiquid assets, growth of credit risks and liquidity management challenges.

With respect to long-term trends in the operating environment, the FIN-FSA highlighted ESG risks (Environment, Social, Governance), the growth of cyber risks, digitalisation of the financial sector as well as the expansion and evolution of regulation.

Strategy



Values and strategy of the FIN-FSA

Total number of supervised and other fee-paying entities

Fee-paying entities	31 December 2023	31 December 2024
Credit institutions	188	178
Investment firms	184	177
Fund management companies and AIFMs	138	142
Securities issuers and securities infra	220	210
Other fee-paying entities in the financial sector	130	106
Financial sector, total	**860**	**813**
Life insurance companies	9	9
Non-life insurance companies and insurance associations	39	39
Pension institutions	10	10
Pension foundations and funds	39	36
Sickness funds and other insurance funds	120	117
Other fee-paying entities in the insurance sector	160	153
Insurance sector, total	**377**	**364**
All supervised and other fee-paying entities, total*	**1,237**	**1,177**

Entities supervised by the Financial Supervisory Authority include banks, insurance and pension institutions, investment firms, fund management companies and the stock exchange. The FIN-FSA also supervises the operations of foreign EEA supervised entities' and EEA supplementary pension institutions' operations in Finland as well as the provision of services by foreign supervised entities in Finland without establishing a branch.
In addition, FIN-FSA supervises for example insurance agents and compliance with the obligation to declare insider holdings.

* The number of supervised entities and fee-paying entities for 2023 are not comparable to the figures presented in the Annual Report 2023. The reporting structure has been reformed and the 2023 figures have been made comparable to the 2024 figures.

Expenses and funding

Expenses and funding, EUR thousands	2023	2024*
Staff expenses	27,988	29,237
Staff-related expenses	649	830
Other expenses	6,398	7,440
Services	2,994	3,845
Real estate expenses	1,536	1,633
Other expenses	1,868	1,962
Depreciation and amortisation	1,039	1,293
Bank of Finland services	7,273	7,366
Total expenses	**43,347**	**46,166**
Funding of operations		
Supervision fees	40,690	41,076
Processing fees	2,068	1,719
Other income	3	
Bank of Finland's contribution: 5% of expenses	2,167	2,308
Surplus carried over from the previous year	2,347	3,928
Surplus carried over to the next year	- 3,928	- 2,865
Total funding	**43,347**	**46,166**

* The figures for 2024 are unaudited and unconfirmed.

Set supervision fees

Set supervision fees, EUR thousands

Fee-paying entities	2023	2024
Credit institutions	21,871	18,893
Investment firms	2,227	2,417
Fund management companies and AIFMs	3,115	3,527
Securities issuers and securities infra	3,643	4,321
Other fee-paying entities in the financial sector	592	1,033
Financial sector, total	**31,448**	**30,191**
Life insurance companies	1,594	1,940
Non-life insurance companies and insurance associations	1,684	1,994
Pension institutions	4,000	3,934
Pension foundations and funds	215	243
Sickness funds and other insurance funds	104	144
Other fee-paying entities in the insurance sector	1,549	1,701
Insurance sector, total	**9,146**	**9,956**
Adjustment items carried over from previous years	96	929
Fee-paying entities, total*	**40,690**	**41,076**

* Fee-paying agents' supervision fees for 2023 are not comparable to those presented in the annual report 2023. The reporting structure has been reformed and the 2023 figures have been made comparable to the 2024 figures.

Processing fees

Processing fees, EUR thousands

Fee-paying entities	2023	2024
Credit institutions	67	123
Investment firms	73	78
Fund management companies and AIFMs	805	631
Securities issuers and securities infra	196	176
Other fee-paying entities in the financial sector	85	66
Financial sector, total	**1,226**	**1,074**
Insurance companies[1]	133	69
Pension foundations and funds	47	28
Sickness funds and other insurance funds	78	44
Insurance brokers[2]	550	473
Other fee-paying entities in the insurance sector	34	31
Insurance sector, total	**842**	**645**
Fee-paying entities, total*	**2,068**	**1,719**

[1] Life, non-life and pension insurance companies
[2] Insurance brokers and agents

* Fee-paying agents' processing fees for 2023 are not comparable to those presented in the annual report 2023. The reporting structure has been reformed and the 2023 figures have been made comparable to the 2024 figures.