Notification template for Articles 133 and 134(5) of the Capital Requirements Directives (CRD) – Systemic risk buffer (SyRB)

Template for notifying the European Central Bank (ECB)and European Systemic Risk Board (ESRB) of the setting or resetting of one or more systemic risk buffer rates pursuant to Article 133(9) CRD and to request that the ESRB issue a recommendation to other Member States to reciprocate the measure under Article 134(5) CRD

Please send/upload this template to

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation[1]);
- DARWIN/ASTRA when notifying the ESRB.

The ESRB will forward the notification to the European Commission, the European Banking Authority (EBA) and the competent and designated authorities of the Member States concerned without delay. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[2].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	**UPDATE TO NOTIFICATION SUBMITTED ON 28 FEBRUARY 2023** Finnish Financial Supervisory Authority, FIN-FSA
1.2 Country of the notifying authority	Finland
1.3 Type of measure (also for reviews of existing measures)	Which SyRB measure do you intend to implement? ☒ Activate a new SyRB ☐ Change the level of an existing SyRB ☐ Change the scope of an existing SyRB (incl. changes to a subset of institutions or exposures) ☐ De-activate an existing SyRB ☐ Reset an existing SyRB (review)

[1] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).
[2] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

<table>
<tr><th colspan="2">2. Description of the measure</th></tr>
<tr><td>2.1 Institutions covered by the intended SyRB</td><td>
Please indicate whether the SyRB applies to:

☒ All institutions authorised in the Member State

☐ One or more subsets of credit institutions in the sector (please provide the names and identifiers (Legal Entity Identifier (LEI) code) of institutions covered)
<table>
<tr><th>Name of institution</th><th>LEI code</th><th>Consolidation level</th></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td></tr>
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<tr><td></td><td></td><td></td></tr>
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</table>
☐ A subsidiary whose parent is established in another Member State. (Please provide the names and identifiers (LEI code) of subsidiaries)
<table>
<tr><th>Name of subsidiary</th><th>Name of the parent</th><th>LEI code of the subsidiary</th></tr>
<tr><td></td><td></td><td></td></tr>
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If the SyRB applies to a subset of institutions, please describe the criteria for selection of the relevant institutions.
</td></tr>
<tr><td>2.2 Exposures covered by the SyRB

(Article 133(5) CRD)</td><td>
Please indicate the exposures to which the SyRB applies:

☒ (a) all exposures located in the Member State that is setting the buffer;

☐ (b) the following sectoral exposures located in the Member State that is setting the buffer:
(i) ☐ all retail exposures to natural persons that are secured by residential property;
(ii) ☐ all exposures to legal persons that are secured by mortgages on commercial immovable property;
(iii) ☐ all exposures to legal persons excluding those specified in point (ii);
(iv) ☐ all exposures to natural persons excluding those specified in point (i);

☐ (c) subsets of any of the sectoral exposures identified in point (b). Please specify the subsets in Section 2.3;

☒ (d) all exposures located in other Member States;

☒ (e) exposures located in third countries.
</td></tr>
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<table>
<tr>
<td>2.3 Subsets of sectoral exposures</td>
<td>
Where the systemic risk buffer applies to subsets of any of the sectoral exposures identified (see point 2.2 (c)), please specify:

The elements of the dimensions and subdimensions that were used to identify the subset(s) of sectoral exposures as laid down in the EBA Guidelines on the appropriate subsets of exposures in the application of SyRB:

<table>
<tr><th>Dimensions/subdimensions</th><th>Elements</th></tr>
<tr><td>1. Type of debtor or counterparty sector</td><td></td></tr>
<tr><td>1.a Economic activity</td><td></td></tr>
<tr><td>2. Type of exposure</td><td></td></tr>
<tr><td>2.a Risk profile</td><td></td></tr>
<tr><td>3. Type of collateral</td><td></td></tr>
<tr><td>3.a Geographical area</td><td></td></tr>
</table>

Assessment conducted in accordance with Section 5 of the EBA Guidelines on the systemic relevance of the risks stemming from this subset, taking into account:
(i) size
(ii) riskiness
(iii) interconnectedness.
Why it would not have been appropriate to set the systemic risk buffer at the level of a sector (as in point 2.2(b)) to cover the risk targeted?

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<tr>
<td>2.4 Exposures located in other Member States and in third countries</td>
<td>The buffer applies to exposures located in all countries</td>
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<tr>
<td>2.5 Buffer rate

(Article 133(9)(e) CRD)</td>
<td>
Specify the intended SyRB rate. If different buffer requirements apply to different exposures or subsets of exposures, please specify for each exposure indicated under 2.2.
Please indicate any changes to the list in 2.1 of institutions concerned and in the buffer rates given in point 2.5 as compared to the last notification, and provide an explanation, if applicable.
The 1.0 % SyRB applies to all Finnish credit institutions.
<table>
<tr><th rowspan="2">Exposures</th><th colspan="2">New SyRB rate</th><th colspan="2">Previous SyRB rate</th></tr>
<tr><th>All institutions (SyRB rate)</th><th>Set of institutions (range of SyRB rates)</th><th>All institutions (SyRB rate)</th><th>Set of institutions (range of SyRB rates)</th></tr>
<tr><td>(a) All exposures located in the Member State that is setting the buffer</td><td>1.0 %</td><td>% - %</td><td></td><td></td></tr>
<tr><td colspan="3">(b) The following sectoral exposures located in the Member State that is setting the buffer:</td><td></td><td></td></tr>
<tr><td>(i) All retail exposures to natural persons that are secured by residential property</td><td>%</td><td>% - %</td><td></td><td></td></tr>
<tr><td>(ii) All exposures to legal persons that are secured by mortgages on commercial immovable property</td><td>%</td><td>% - %</td><td></td><td></td></tr>
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</td>
</tr>
</table>

(iii) All exposures to legal persons excluding those specified in point (ii)	%	% - %		
(iv) All exposures to natural persons excluding those specified in point (i)	%	% - %		
(c) All exposures located in other Member States	1.0%	% - %		
(e) Exposures located in third countries	1.0%	% - %		
(f) *Subsets of any of the sectoral exposures identified in point (b):*				
(i) Please specify the subset [Dimension/subdimensions]	%	% - %		

If different buffer requirements apply to different subsets of institutions, please specify for each institution mentioned under 2.1.

Set of institutions				
Exposures	**Name of institution**	**LEI code**	**New SyRB rate**	**Previous SyRB rate**
			%	
			%	
			%	

3. Timing for the measure

3.1 Timing for the decision	What is the date of the official decision? For SSM countries when notifying the ECB: provide the date on which the decision referred to in Article 5 of the Single Supervisory Mechanism Regulation (SSMR) will be taken. 29/03/2023
3.2 Timing for publication	What is the proposed date of publication of the notified measure? 30/03/2023
3.3 Disclosure	Web-site
3.4 Timing for application	What is the intended date of application of the measure? 01/04/2024
3.5 Phasing in	n.a.
3.6 Review/deactivation of the measure	The SyRB is in place until further notice, but will pursuant to the Act on Credit Institutions be reviewed every second year.

4. Reasons for the notified SyRB

4.1 Description of the macroprudential or systemic risk in your Member State **(Article 133(9)(a) of the CRD)**	The Finnish banking sector is characterized by several structural vulnerabilities. As a result of these vulnerabilities, banking sector crises may become more severe endangering the stability of the financial system. The values of the indicators to consider for applying the systemic risk buffer according to the Ministry of Finance decree show that the banking sector is particularly vulnerable due to its size relative to GDP, cross-border

	connections, risk exposures linked to mortgage and real estate lending as well as the overall level of household debt. In addition, the role of the banking sector is large when considering all lending to the private sector. Higher indicator-based risk levels in comparison with other EU/euro Member States and in relation to historical Finnish data signal a prevailing threat to the stability of the Finnish financial system. The assessment of the appropriate level of systemic risk buffer is based on the assessment of the sufficient aggregate level of macroprudential capital requirements in the neutral cyclical risk environment. The assessment of the sufficient aggregate level of macroprudential buffers is based on the outcome of stress tests as well as on academic literature on banks' optimal capital requirements. The stress test scenario is based on the adverse scenario in the EBA stress testing exercise which has been adjusted to better account for interconnections and structural vulnerabilities in the Nordic financial market. The stress test scenario is available in Finnish under the following link: Euro ja talous 1/2022: *Suuret rakenteelliset riskit edellyttävät pankeilta puskureita pahan päivän varalle .* In order to be able to absorb losses caused by a severe recession and disruption of the financial system and to continue to support the functioning of the real economy, banking sector should be subject to the aggregate amount of macroprudential buffer requirements of 6-7 percent of risk-weighted assets. The appropriate level of systemic risk buffer is determined by deducting all the other existing buffer requirements from the estimated aggregate amount of buffer requirements as the systemic risk buffer should be used to address risks not covered by other buffer requirements. By applying a 1.0 percent systemic risk buffer, the aggregate amount of macroprudential buffers would reach approximately 6.8 percent of the total risk-weighted assets of the Finnish banking sector.
4.2 Reasons why the dimension of the macroprudential or systemic risks threatens the stability of the financial system in your Member State **(Article 133(9)(b) CRD)**	See above.
4.3 Indicators used for activation of the measure	The indicators to take into account according to the Ministry of Finance decree comprise the following: • Share of housing loans to domestic households in loans to the private sector granted by the credit institutions sector • Credit institutions' claims on construction and real estate investment companies relative to credit institutions' total claims • Credit institutions' claims on domestic government debt securities relative to credit institutions' total claims • Share of domestic credit institutions' interbank deposits in total liabilities of the credit institutions sector • Credit institutions sector's funding gap • Aggregate balance sheet of foreign banks' subsidiaries and branches relative to GDP in different countries

	• Balance sheet of the credit institutions sector relative to nominal GDP • Domestic credit institutions' loans to households and non-financial corporations relative to total debt of households and non-financial corporations • Household sector debt relative to households' disposable income • Corporate debt relative to GDP Please see attachment for further information.
4.4 Effectiveness and proportionality of the measure **(Article 133(9)(c) CRD)**	Applying the systemic risk buffers as specified under 2.1. will strengthen the resilience of the Finnish banking sector by adding approx. 2.4 bn EUR in capital.
4.5 Reason why the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD **(Article 133(9)(f) CRD)**	The systemic risk buffer aims to mitigate the risk that the system imposes on individual banks while the aim of the O-SII buffer is to limit the risk that individual banks impose on the system.
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	The systemic risk buffer will increase the resilience of the Finnish banking sector. The increased resilience is estimated to be sufficient in supporting the stable functioning of the banking sector in a stress test scenario. Also, the ESRB has issued a general warning and proposed strengthening the resilience of the banking sector in EU Member States.
5.2 Consistency of application of the policy response	The macroprudential measure is consistent, it meets its respective objectives as outlined in ESRB/2013/1[3] and is implemented in accordance with common principles.
5.3 Non-overlap of the policy response	See 4.5
6. Cross-border and cross-sector impact of the measure	

[3] Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) (OJ C 170, 15.6.2013, p. 1).

6.1 Assessment of cross-border effects and the likely impact on the Internal Market **(Article 133(9)(d) of the CRD and Recommendation ESRB/2015/2[4])**	The overall impact of the measure on the EU internal market is positive. By applying the systemic risk buffer to Finnish credit institutions, the resilience of the Finnish banking sector is improved, implying a more stable financial environment supporting the functioning of the internal market as well as continuous economic growth.
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	The analysis implies that the probability of inward spill-overs emerging is limited. In principle, risk adjustment and regulatory arbitrage could appear by actors increasing activities in the shadow banking sector or foreign actors expanding activities to Finland. Given the fact that the systemic risk buffer applied is moderate, incentives for such channelling appear low
6.3 Request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	n.a.
6.4 Justification for the request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	n.a.
7. Combination of the SyRB with other buffers	
7.1 Combination with G-SII and/or O-SII buffers **(Article 131(15) CRD)**	G-SIB/I, O-SII and systemic risk buffer combinations do not exceed 5.0 %. O-SII buffers were decided upon by the FIN-FSA Board on 27 June 2022 and entered into force on 1 January 2023. No G-SIB/I buffers are applicable in Finland.

Name of institution	G-SII/O-SII buffer rate	O-SII consolidation level	Sum of G-SII/O-SII and SyRB rates
Nordea Bank Ab	2.5%	Highest consolidated	3.5%
OP Group	1.5%	Highest consolidated	2.5%
Municipality Finance Plc	0.5%	Highest consolidated	1.5%

[4] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

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7.2 Combination with other systemic risk buffers **(Article 133(11) and (12) CRD)**	Since the systemic risk buffer applies to all exposures, it will be deductible to the extent that banks have exposures in EEA countries applying a systemic risk buffer covering exposures located in those countries. Eg. Norway applies a SyRB of 4,5 % applicable to Norwegian exposures, and hence will be deductible according to CRD Art. 134.5 since the buffers address the same risks.
8. Miscellaneous	
8.1 Contact person(s)/mailbox at notifying authority	Peik Granlund. +35891835236, peik.granlund@fiva.fi.
8.2 Any other relevant information	
8.3 Date of the notification	21/03/2023