



## Notification template for Article 131 CRD – Other Systemically Important Institutions (O-SII)

Please send this template to

- [notifications@esrb.europa.eu](mailto:notifications@esrb.europa.eu) when notifying the ESRB;
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Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority	
1.1 Name of the notifying authority	Finnish Financial Supervisory Authority, FIN-FSA
2. Description of the measure	
2.1 Concerned institution or group of institutions	<p><b>The FIN-FSA Board has reviewed the O-SII buffers and has made a preliminary decision to lower the O-SII buffer applicable to OP Group by 1,0 % (from 2,0 % to 1,0 %). The O-SII buffers for Nordea Group and Municipality Finance Plc remain at previous levels (2.0 % and 0.5 % respectively)</b></p> <p>Nordea Group 529900ODI3047E2LIV03 OP-Group 7437003B5WFBOIEFY714 Municipality Finance Plc 529900HEKOENJHPNN480</p> <p>The measures apply on a consolidated level.</p> <p>The decision is preliminary and the final decision will be made one month from submitting the notification.</p>
2.2 Level of the buffer applied	2.0 %, 1.0 % and 0.5 % respectively.
2.3 Name of the EU ultimate parent institution	n.a.
2.4 Names of subsidiaries	Nordea Mortgage Bank, Nordea Finance Finland, OP Corporate Bank, OP Mortgage Bank
3. Timing of the measure	
3.1 Timing of the Decision	The preliminary decision was made by the FIN-FSA Board on 17 March 2020.
3.2 Timing of the Publication	The preliminary decision was published on 17 March 2020.

<b>3.3 Disclosure</b>	FIN-FSA website
<b>3.4 Timing of Application</b>	The final decision by the FIN-FSA Board will enter into force immediately.
<b>3.5 Phasing in</b>	na.
<b>3.6 Review of the measure</b>	The measure will be reviewed in 2021
<b>4. Reason for O-SII identification and activation of the O-SII buffer</b>	
<b>4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)</b>	<p>Nordea Group, OP Group and Municipality Finance Plc.</p> <p>Total O-SII scores 67.87 %, 11.40 % and 3.66 % respectively.</p> <p>Category scores: Size 62.29 %, 15.55 % and 4.76 %. Importance 48.85 %, 18.33 % and 1.06 %. Complexity 90.12 %, 3.03 % and 1.75 %. Interconnectedness 70.23 %, 8.69 % and 7.06 %.</p> <p>Please see enclosed Excel-file.</p>
<b>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</b>	<p>Please provide information on:</p> <ol style="list-style-type: none"> <li>a. whether you followed the EBA guidelines on the assessment of O-SIIs Yes.</li> <li>b. which threshold score has been set to identify O-SIIs <i>A 2.75% threshold score has been applied. An institution is identified as an O-SII institution if the total scores as per EBA GL exceed the threshold of 2.75%.</i></li> <li>c. which of the optional indicators have been used to justify supervisory assessment decisions, if any, and what are the scores <i>Optional indicators were not used in the identification of O-SIIs.</i></li> <li>d. why these optional indicators are relevant for the Member State <i>na.</i></li> <li>e. why the bank is systemically important in terms of those particular optional indicators <i>na.</i></li> <li>f. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process <i>No, all entities are included.</i></li> <li>g. names and scores of all relevant entities not excluded from the identification process (could be sent in a separate excel file, see 4.1) <i>See enclosed O-SII excel file.</i></li> <li>h. whether non-bank institutions have been included in the calculations <i>All Finnish credit institutions and branches operating in Finland are included in the calculations.</i></li> </ol>

<b>4.3 Supervisory judgement</b>	Not used.
<b>4.4 Calibrating the O-SII buffer</b>	<p>The decision is motivated by the aim to mitigate the adverse effects of the coronavirus pandemic on Finnish banks' ability to supply credit to the Finnish real economy. The O-SII buffers and the systemic risk buffers for the Finnish banks were recalibrated so that the total structural buffer requirements for all Finnish credit institutions decreased by 1 percentage point (see also section 6.2 in the notification template). The decisions on the structural buffers will increase the lending capacity of the Finnish banks by around EUR 52 billion.</p> <p>After the recalibration of the structural buffers, the differences in the systemic footprint of the three largest credit institutions in Finland are solely reflected by the O-SII buffers. The measure is also justified to ensure the level playing field in the Finnish banking sector.</p> <p>The recalibrated buffer levels have been benchmarked against the results of the current (published in 2017) and the forthcoming ECB floor methodology. The buffers for Nordea, OP Group and Municipality Finance are higher than the minimum level reflected in the floor methodology. This excess relative to the minimum level is motivated by the higher than average concentration, interconnectedness (high dependence on market based funding) and size relative to the real economy of the Finnish banking sector.</p> <p>While enhancing the ability of credit institutions to provide credit to the corporate sector, the decisions on the structural buffers will also promote a smooth transition to CRD5 as the risks stemming from the systemic footprint of the institutions are solely covered by the O-SII buffers (instead of systemic risk buffers).</p>
<b>4.5 Effectiveness and proportionality of measure</b>	<p>The recalibrated O-SII buffers (together with the recalibrated systemic risk buffers) will mitigate the adverse effects of coronavirus pandemic on Finnish banks' ability to supply credit to the Finnish real economy by increasing the estimated lending capacity of Finnish credit institutions by around EUR 52 billion. This, together with the decisions (CCyB reductions) made by macroprudential supervisors of other countries, is estimated to increase the total lending capacity of Finnish banking sector by around EUR 95 billion.</p> <p>While freeing up capital to support the Finnish real economy, the recalibrated buffers will still remain higher for the systemically important institutions in Finland, increasing the resilience of these institutions.</p> <p>The levels of the O-SII buffers are benchmarked against the ECB floor methodology applicable to SSM countries to ensure the level playing field within the Banking Union while still taking into account the higher than average concentration, interconnectedness and size relative to the real economy of the Finnish banking sector.</p>
<b>5. Cross-border and cross-sector impact of the measure</b>	
<b>5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)</b>	When taking into account the similar decisions on lowering the capital requirements in other Member States (e.g. CCyB reductions and cancellations) cross-border market effects can be seen as relatively limited. As regards domestic implications, the differences between the total structural buffers for the biggest Finnish institutions are kept at their previous levels.

<b>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</b>	See above.
<b>6. Combinations and interactions with other measures</b>	
<b>6.1 Combinations between G-SII and O-SII buffers (Article 131.14)</b>	na
<b>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</b>	In addition to the aforementioned recalibration of O-SII buffers, the FIN-FSA Board also made a preliminary decision to remove the systemic risk buffer requirement for all the Finnish credit institutions on 17 March 2020. The previous buffer rates were 3.0 % for Nordea, 2.0 % for OP Group, 1.5 % for Municipality Finance and 1.0 % for all other Finnish credit institutions.
<b>6.3 O-SII requirement for a subsidiary (Article 131.8)</b>	n.a.
<b>6.4 Interaction with other measures</b>	Capital conservation buffer was introduced in Finland on 1 January 2015 without phasing in.

<b>7. Miscellaneous</b>	
<b>7.1 Contact person(s) at notifying authority</b>	Arttu Kiviniemi +358 9 183 5237, arttu.kiviniemi@fiva.fi
<b>7.2 Any other relevant information</b>	The decision is preliminary and the final decision will be made one month after submission of this notification