



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

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB;
- notifications@eba.europa.eu when notifying the EBA.

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>THE FIN-FSA HAS ASSESSED THE APPROPRIATENESS OF THE OSII BUFFER AS REQUIRED BY LAW. SINCE NO CHANGES ARE TOPICAL, NO FORMAL DECISION HAS BEEN MADE.</p> <p>Nordea Group 529900ODI3047E2LIV03 OP-Group 7437003B5WFBOIEFY714 Municipality Finance Plc 529900HEKOENJHPNN480 The measures apply on a consolidated level.</p>
2.2 Level of the buffer applied	2.0 %, 2.0 % and 0.5 % respectively.
2.3 Name of the EU ultimate parent institution	n.a.
2.4 Names of subsidiaries	Nordea Mortgage Bank, OP Corporate Bank, OP Mortgage Bank
3. Timing of the measure	
3.1 Timing of the Decision	n.a
3.2 Timing of the Publication	n.a

3.3 Disclosure	FIN-FSA website
3.4 Timing of Application	Valid since 1 January 2019
3.5 Phasing in	No
3.6 Review of the measure	2020
4. Reason for O-SII identification and activation of the O-SII buffer	
4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)	<p>Nordea Group, OP Group and Municipality Finance Plc.</p> <p>Overall scores 68.64 %, 11.11 % and 3.47 % respectively.</p> <p>Category scores: Size 64.32 %, 15.18 % and 4.46 %. Importance 49.39%, 18.24 % and 1.04 %. Complexity 90.35 %, 2.99 % and 1.67 %. Interconnectedness 70.48 %, 8.04 % and 6.71 %.</p> <p>Please see enclosed Excel-file.</p>
4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>Please provide information on:</p> <ol style="list-style-type: none"> a. whether you followed the EBA guidelines on the assessment of O-SIIs Yes. b. which threshold score has been set to identify O-SIIs 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%. 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. However, an optional indicator (based on assets to GDP ratio) was used in the calibration of O-SII buffers (see 4.4).</i> d. why these optional indicators are relevant for the Member State <i>n.a.</i> e. why the bank is systemically important in terms of those particular optional indicators <i>n.a.</i> 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> 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 O-SII excel file.</i> 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>

4.3 Supervisory judgement	Not used.
4.4 Calibrating the O-SII buffer	<p>After the identification of O-SIIs (see 4.2), additional capital requirements (O-SII buffers) are calibrated using the total scores as per EBA GL as well as an optional indicator which is defined as (institution's assets to GDP ratio) / (the maximum assets to GDP ratio within SSM area). The optional indicator aims to reflect the potential cost of the bank's default for the real economy.</p> <p>The adjusted total score used in the buffer calibration is defined as follows: Total score, adj. = 80% * Total score (EBA GL) + 20% * Optional indicator</p> <p>Based on the adjusted total scores, the additional capital requirements for O-SIIs are determined according to the following linear scale:</p> <p>OSII % < 2.75 => 0.0 % 2.75 <= O-SII % < 5.50 => 0.5 % 5.50 <= O-SII % < 8.25 => 1.0 % 8.25 <= O-SII % < 11.00 => 1.5 % 11.00 <= O-SII % => 2.0 %</p>
4.5 Effectiveness and proportionality of measure	The measure directly addresses the risk generated by the respective systemically important institutions. An additional capital requirement in the form of an O-SII buffer increases the resilience of the institutions. The current capital level of the institutions exceed that of the combined requirement. The O-SII buffer applies to the three largest credit institutions in the Finnish market.
5. Cross-border and cross-sector impact of the measure	
5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)	The application of the O-SII buffers increases the capital requirements for the respective institutions between 0.5 and 2.0%. The impact of the additional requirements in terms of pricing of financial services is perceived as minor. Hence, domestic and cross-border market effects are seen as small.
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	See above.
6. Combinations and interactions with other measures	
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	n.a

6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	A FIN-FSA decision regarding the application of the systemic risk buffer will come into force on 1 July 2019. A buffer rate of 3.0 % will be applied to Nordea Group, a rate of 2.0 % to OP Group and a rate of 1.5 % to Municipality Finance Plc. The buffer will cover the total risk of the institutions.
6.3 O-SII requirement for a subsidiary (Article 131.8)	n.a.
6.4 Interaction with other measures	Capital conservation buffer introduced in Finland on 1 January 2015 without phasing in.

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Peik Granlund +358-9-183 5236, peik.granlund@fiva.fi
7.2 Any other relevant information	