Template for notifying the intended use of a systemic risk buffer (SRB)

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1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	Finnish Financial Supervisory Authority, FIN-FSA
1.2 Type of measure intended (also for reviews of existing measures)	Continuing the existing SRB
2. Description of the notified measure	
2.1 Institutions covered by the intended SRB	The SRB addresses all credit institutions authorised in Finland on a 1.0 % level, while the SRB amounts to 3.0 % for Nordea Group 529900ODI3047E2LIV03, 2.0 % for OP Group 7437003B5WFBOIEFY714 and 1.5 % for Municipality Finance Plc 529900HEKOENJHPNN480. The SRB is applied on a consolidated level.
2.2 Buffer rate **(Article 133(11)(f) of the CRD)**	See 2.1
2.3 Exposures covered by the SRB	The SRB applies to all exposures
3. Timing of the measure	
3.1 Timing of the Decision	28 June 2019
3.2 Timing of the Publication	28 June 2019
3.3 Disclosure	FIN-FSA website, including information on the grounds for applying the SRB
3.4 Timing of Application	1 July 2020

3.5 Phasing in	n.a.
3.6 Review/deactivation of the measure	The SRB is in place until further notice, but will pursuant to the Act on Credit Institutions be reviewed yearly
4. Reasons for the intended SRB	
4.1 Description of the long-term non-cyclical systemic risk in your Member State **(Article 133(11)a of the CRD)**	The Act on Credit Institutions chapter 10 section 6a specifies the criteria for the application of the SRB. These provisions are supported by the Ministry of Finance decree 65/2018, which in turn specifies the indicators applicable for the assessment of systemic risk. According to the decree, a comparison of the conditions in the Finnish market is made in relation to other EU countries alternatively in relation to Finnish historical data. Both comparisons currently imply that a corresponding systemic risk prevails.
4.2 Reasons why the dimension of the long-term non-cyclical systemic risk threatens the stability of the financial system in your Member State **(Article 133(11)(b) of the CRD)**	Higher indicator-based risk levels in comparison with other EU/euro Member States and in relation to historical Finnish data constitute a threat to the stability of the Finnish financial system. The threat to the financial system is balanced by higher capital buffers applicable to banks.
4.3 Indicators used for the activation of the measure	The indicators used 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 in different countries • 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 • Aggregate balance sheet of the five largest credit institution relative to the total balance sheet of the credit institutions sector • 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
4.4 Effectiveness and proportionality of the measure **(Article 133(11)(c) of the CRD)**	Applying the systemic risk buffers as specified under 2.1 has a total of 6.2 bn EUR capital requirement but will effectively strengthen the resilience of the Finnish banking sector by adding approx. 1.5 bn EUR in core capital (impact of OSII-buffers as well as ECB risk weight floors considered). The

	systemic risk buffer level for the respective institutions is determined based on the estimated contribution to the overall systemic risk by that institution. In the assessment of this contribution, the abovementioned indicators are used.
4.5 Justification of inadequacy of existing measures in the CRD or in the CRR, excluding Articles 458 and 459 of the CRR, to address the identified risks **(Article 133(11)(e) of the CRD)**	Pillar II measures for macroprudential purposes are excluded in CRD5/CRR2. Since the systemic risk buffer applies to exposures located in Finland, in other EEA Member States as well as in third countries it will not be cumulative in relation to the O-SII buffers. The countercyclical capital buffer is a cyclical measure, while the macroprudential/systemic threat related to the application of the systemic risk buffer is currently mainly of a structural nature.
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 **(Article 133(11)(d) of the CRD and Recommendation ESRB/2015/2)**	The overall impact of the measure on the EU internal market is positive. By retaining a systemic risk buffer to Finnish credit institutions, the resilience of the Finnish banking sector remains improved, implying a more stable financial environment supporting the functioning of the internal market as well as continuous economic growth.
5.2 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, also taking into account its non-cumulative character in relation to O-SII buffers, incentives for such channelling appear low.
5.3 Reciprocation by other Member States **(Article 134(4) of the CRD and Recommendation ESRB/2015/2)**	Since the measure is institution-specific and is based on the total risk that an institution represents, reciprocation is not topical.
6. Combination of the SRB with other buffers	
6.1 Combination with G-SII and/or O-SII buffers (Article 133(4) and (5) of the CRD)	An O-SII buffer is applied to Nordea (2.0 %), OP Group (2.0 %) and Municipality Finance Plc (0.5 %) on consolidated level. Since the SRB is based on the total risk that an institution represents, buffers are not cumulative.
6.2 Other relevant information	n.a.
7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Peik Granlund, tel. +358-9-183 5236, peik.granlund@fiva.fi.

7.2 Any other relevant information	