Act on Credit Institutions 8.8.2014/610

Please note: This is an unofficial translation.

Amendments up to 1199/2014 included

May 2015

Act on Credit Institutions 8.8.2014/610

Pursuant to the decision of Parliament, the following shall be enacted:

PART I

ACCESS TO THE ACTIVITY OF CREDIT INSTITUTIONS

Chapter 1

General provisions

Section 1

Purpose of the Act

This Act shall apply to access to the activity of credit institutions as well as the requirements set on this activity and the supervision of their compliance. The Act shall also apply to the right to carry out other business activity where repayable funds are received from the public.

Access of a foreign credit institution to the activity of credit institutions in Finland and the requirements to be set on this activity shall be provided for in section 12 of this Chapter, Chapter 2, section 2(2) and Chapters 16—19.

Provisions on the application of this Act to an investment services company referred to in the Act on Investment Services (747/2012) shall be laid down in Chapters 6—8 of the Act on Investment Services. (19.12.2014/1199)

Section 2

Other legislation relating to credit institution activity

Requirements set for the financial position of a credit institution are provided in Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, hereinafter the *Capital Requirements Regulation*, as well as in the technical standards, issued by a Regulation or Decision of the European Commission, referred to therein. Provisions concerning credit institutions can also be found in the technical standards, issued by a Regulation or Decision of the European Commission, referred to in Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, hereinafter the *Credit Institutions Directive*.

In addition to this Act, a credit institution in the form of a limited company shall be governed by the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company (1501/2001), a savings bank by the Savings Bank Act (1502/2001), a credit institution in the form of a co-operative by the Act on Co-operative Banks and Other Credit Institutions in the Form of a Cooperative (423/2013), and a mortgage society by the Act on Mortgage Societies (936/1978).

The right of a credit institution to carry out mortgage credit activity shall be governed by the Act on Mortgage Credit Banks (688/2010).

The duty of a credit institution to belong to an investor compensation fund shall be governed by the Act on Investment Services.

The safeguarding of the operations of a deposit bank which has encountered financial difficulties shall be governed by the Act on the Government Guarantee Fund (379/1992) and the Act on Temporary Interruption of the Operations of a Deposit Bank (1509/2001).

Provisions on the application of the Act on Investment Services to a credit institution which provides investment services are laid down in Chapter 1, section 4 of the Act on Investment Services.

The resolution of credit institutions shall be provided for in the Act on Resolution of Credit Institutions and Investment Firms (1194/2014), hereinafter referred to as the *Resolution Act*, as well as in Regulation (EU) No 806/2014 of the European Parliament and of the Council establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, hereinafter referred to as *the EU's Single Resolution Mechanism Regulation*. (19.12.2014/1199)

Section 3

Supervision

The Financial Supervisory Authority shall supervise compliance with this Act and the rules and regulations provided by virtue thereof.

As a derogation from the provisions of subsection 1 and section 4, compliance with the provisions of Chapters 3 and 6—11, and the provisions issued by virtue thereof, is monitored by the European Central Bank, hereinafter the *ECB*, by virtue of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, hereinafter the *SSM Regulation*, in those credit institutions whose supervision was transferred to the ECB in accordance with the SSM Regulation. The SSM Regulation lays down provisions on the division of powers between the Financial Supervisory Authority and the ECB on the assessment of suitability of the share and unit holders of a credit institution referred to in Chapter 3, on authorisation pursuant to Chapter 4 and on setting the changing requirements for additional capital pursuant to Chapter 10, section 4 as well as on the ECB's right to impose administrative penalties for breach of the Capital Requirements Regulation referred to in Chapter 20.

The provisions of this Act on the tasks of the Financial Supervisory Authority in supervising a Finnish branch of another EEA credit institution and on the tasks of the Financial Supervisory Authority concerning a credit institution's branch located in another state belonging to the European Economic Area (*EEA Member State*) shall apply to the ECB provided that the supervision of a foreign EEA credit institution or a credit institution was transferred to the ECB in the manner referred to in subsection 2.

The monitoring tasks of the Central Association of the Amalgamation in the supervision of member credit institutions belonging to the amalgamation of deposit banks shall be governed by the Act on the Amalgamation of Deposit Banks (599/2010).

The Financial Supervisory Authority's co-operation with the European Banking Authority on the supervision of credit institutions shall be provided for separately.

The credit institutions and their parent companies whose supervision or consolidated supervision the ECB is responsible for, or equivalently the Financial Supervisory Authority is responsible for, in accordance with the SSM Regulation, shall be clearly indicated on the Financial Supervisory Authority's website. The co-operation arrangements agreed between the ECB and the Financial Supervisory Authority on the supervision and consolidated supervision of credit institutions shall also be clearly indicated on the website.

Section 4

Consolidated supervision

The Financial Supervisory Authority shall supervise a credit institution, which is the parent company of a consolidation group, on the basis of its consolidated financial position as provided in the Capital Requirements Regulation and subsequently in this Act. Provisions on the supervision of the amalgamation of deposit banks on the basis of the consolidated financial position of the amalgamation are laid down in the Act on the Amalgamation of Deposit Banks.

The provisions of subsection 1 shall also apply to a credit institution which has a holding company as its parent company with its registered office in:

1) Finland and which is the holding company's subsidiary credit institution with the highest balance sheet total;

2) another EEA Member State and:

a) there is no foreign credit institution belonging to the consolidation group in the Home State of the parent company; and

b) the balance sheet total of the credit institution exceeds the balance sheet total of any other such subsidiary credit institution or foreign subsidiary credit institution of the parent company whose place of registered office is in an EEA Member State;

3) which is the subsidiary of the credit institution referred to in paragraph 1 or 2 above and which has a subsidiary or affiliated company in a credit institution, investment firm or management company authorised elsewhere than in an EEA Member State;

4) in respect of which the Financial Supervisory Authority has agreed on, by virtue of Chapter 11, section 13, with the authorities in other EEA Member States responsible for the supervision of foreign credit institutions belonging to the consolidation group that the Financial Supervisory Authority shall act as the supervisory authority responsible for the consolidated supervision of the foreign credit institution and that Finnish law shall be applied to the consolidated supervision.

The Financial Supervisory Authority may on application of a credit institution referred to in subsection 1 or a holding company referred to in section 15(1) decide that, in applying this Act and the Capital Requirements Regulation, a holding company shall not be considered as a parent company referred to in subsection 2 and which is at the same time the holding company of a conglomerate referred to in section 2(1)(12) of the Act on the Supervision of Financial and Insurance Conglomerates (699/2004) insofar as

the requirements imposed on the financial position of the conglomerate comply with this Act and the Capital Requirements Regulation. Prior to the decision referred to in this subsection, the Financial Supervisory Authority shall request a statement in the matter from the other central supervisory authorities referred to in section 2(1)(14) of the Act on the Supervision of Financial and Insurance Conglomerates.

The provisions of this section shall also not apply if the Financial Supervisory Authority has agreed by virtue of Chapter 11, section 13 with the other authorities responsible for the supervision of foreign credit institutions belonging to the consolidation group that a competent authority of the other EEA Member State shall be responsible for the consolidated supervision of a credit institution.

Definitions

Section 5

Credit institution activity

Credit institution activity shall in this Act mean business operations where repayable funds are received from the public as well as where credit and other financing is offered for own account.

Financing referred to in subsection 1(1) above shall not include the time for payment granted by the seller of goods or services to the buyer nor financing exclusively of undertakings belonging to the same group which do not offer the financing referred to in subsection 1 as their business activity.

Section 6

Repayable funds

Repayable funds shall in this Act mean funds borrowed in the course of business operations.

Funds repayable on demand shall in this Act mean funds other than those borrowed for a fixed period, which the creditor may, in accordance with the loan terms, recall payable immediately or, at the latest, within a 30-day notice period as well as funds borrowed for a fixed period, the loan period of which is no more than 30 days or which the creditor may recall payable prior to maturity in situations also other than any exceptional situations separately mentioned in the loan terms.

Section 7

Credit institution

A credit institution is an undertaking authorised in accordance with Chapter 4 to carry on credit institution activity. A credit institution may be a deposit bank or a credit society.

A foreign credit institution shall in this Act mean a foreign undertaking which carries on mainly credit institution activity and which is subject to corresponding supervision as a credit institution under this Act.

A foreign EEA credit institution shall in this Act mean a foreign credit institution which has its statutory registered office in an EEA Member State other than Finland and which is authorised by the competent authorities of that state to carry on credit institution activity.

A third-country credit institution shall in this Act mean a foreign credit institution which has its statutory registered office in a state other than an EEA Member State and which is authorised by the competent authorities of that state to carry on credit institution activity.

Section 8

Deposit bank

A deposit bank is a credit institution which may receive deposits from the public.

A deposit bank may be a limited liability company, a co-operative or a savings bank.

On the duty of a deposit bank to pay a deposit guarantee fee and belong to the deposit guarantee scheme shall be provided for in the Act on the Financial Stability Authority (1195/2014). (19.12.2014/1199)

Section 9 (19.12.2014/1199)

Deposit

In this Act, *deposit* means the deposit referred to in Chapter 1, section 3(11) of the Act on the Financial Stability Authority.

In marketing, only funds within the scope of the reimbursable deposits, referred to in subsection 1, may be referred to as "deposit", either as such or as part of a compound. Marketing relating to the acquisition of other repayable funds from the public may not be carried on in a manner that can impede the differentiation of deposits from other repayable funds.

Section 10

Credit society

A credit society is a credit institution which may receive from the public other repayable funds than deposits.

A credit society may be a limited liability company, a co-operative or a mortgage society.

Section 11

Financial institution

A financial institution shall in this Act mean a financial institution referred to in Article 4(1), subparagraph 26 of the Capital Requirements Regulation.

Section 12

Home State

Home State shall in this Act mean the state in which a foreign credit institution has its statutory registered office and the competent authorities of which have granted the credit institution an authorisation for credit institution activity.

Section 13

Branch

A branch shall in this Act mean a place of business of a credit institution or foreign credit institution located outside the Home State which forms a legal part of the credit institution or foreign credit institution and which carries on credit institution activity or other activity permitted for a credit institution.

Section 14

Services undertaking

A services undertaking shall in this Act mean an ancillary services undertaking referred to in Article 4(1), subparagraph 18 of the Capital Requirements Regulation.

Section 15

Holding company

A holding company shall in this Act mean societies referred to in Article 4(1), subparagraphs 20—21 of the Capital Requirements Regulation.

The Financial Supervision Authority shall, after having learned that a company other than a credit institution or investment firm has become the parent company of a credit institution, make a decision without delay on whether the company shall be deemed a holding company.

The Financial Supervisory Authority shall keep a list of holding companies which are parent companies of a consolidation group supervised by the Financial Supervisory Authority under this Act. The Financial Supervisory Authority must submit a list, as amended, for the information of foreign EEA supervisory authorities, referred to in section 6, paragraph 5 of the Act on the Financial Supervisory Authority, hereinafter the *EEA Supervisory Authority*, the European Commission and the European Banking Authority. (19.12.2014/1199)

Section 16

Consolidation group

A consolidation group shall in this Act mean a group comprising the parent company of a group, which is a credit institution or a foreign credit institution, a holding company acting as the parent company of the credit institution other than an investment firm (*parent company of the consolidation group*) as well as the subsidiaries of the parent company which are credit institutions or foreign credit institutions, investment firms or foreign companies comparable to investment firms, financial institutions or services undertakings (*subsidiary of a consolidation group*). A group, a parent company and a subsidiary shall in this Act mean the group, parent company and subsidiary referred to in the Accounting Act (1336/1997) as well as a comparable foreign group, parent company and subsidiary.

Section 17

Core capital

Core capital shall in this Act mean core capital referred to in Article 26 of the Capital Requirements Regulation.

Section 18

Outsourcing

Outsourcing shall in this Act mean an arrangement connected to the operation of the credit institution on the basis of which another service provider produces a function or service to the credit institution, which the credit institution would have otherwise performed itself.

Section 19

European Banking Authority, European Banking Committee and European Systemic Risk Board

European Banking Authority shall in this Act mean the European Banking Authority referred to in Regulation (EU) No. 1093/2010 of the European Parliament and of the Council establishing a European Supervisory Authority (European Banking Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/78/EC (hereinafter *European Banking Supervision Regulation*);

European Banking Committee shall in this Act mean the European Banking Committee referred to in Commission Decision 2004/10/EC on establishing a European Banking Committee.

European Systemic Risk Board (ESRB) shall in this Act mean the European Systemic Risk Board intended in Regulation (EU) No. 1092/2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board.

Section 20

Management and operative management

Management shall in this Act mean the Board of Directors of a credit institution and, if the institution has a Board of Governors, the Board of Governors, managing director as well as all persons working directly for the managing director, who are in top management positions of the credit institution or actually manage the activity of the credit institution.

Operative management shall in this Act mean the managing director of the credit institution as well as all persons working directly for the managing director, who are in top management positions of the credit institution or actually manage the activity of the credit institution.

Chapter 2

Access to the activity of credit institutions and other acquisition of funds from the public

Section 1

Credit institution activity subject to authorisation

Credit institution activity cannot be carried on without authorisation referred to in this Act.

Section 2

Exclusive right of a credit institution to receive repayable funds

An institution other than a credit institution may not carry on business activity where repayable funds are received from the public in a manner other than by issuing securities referred to in Chapter 2, section 1 of the Securities Markets Act (746/2012) unless otherwise provided for in section 3 of this Chapter.

The provisions of subsection 1 on a credit institution shall correspondingly apply to a foreign EEA credit institution as well as to a branch of a third-country credit institution in Finland which is authorised in accordance with this Act to carry on credit institution activity in Finland.

Section 3

Exemptions from the exclusive right of a credit institution to receive repayable funds

The provisions of section 2 shall not restrict:

1) the right of the Bank of Finland to receive repayable funds from the public;

2) the right of a management company to carry on common fund activity referred to in the Act on Common Funds (48/1999);

3) the right of an investment firm and a management company to offer savings contracts referred to in the Act on Bound Long-Term Savings (1183/2009);

4) the right of an insurance institution to carry on insurance business referred to in the Act on Insurance Companies (521/2008);

5) the right to offer payment services according to the Act on Payment Institutions (297/2010);

6) the right of an AIFM to manage an alternative investment fund pursuant to the Act on Alternative Investment Fund Managers (162/2014).

Notwithstanding the provisions of section 2, a limited liability company and a co-operative society may also acquire repayable funds from the public by offering debt instruments other than those repayable on demand. If such debt instruments are offered to the public in another manner than by issuing to public circulation securities referred to in the Securities Markets Act, the limited liability company or the co-operative society shall prepare and publish an interim report, annual accounts and an annual account

release in compliance with the provisions of Chapter 7, sections 5—13 of the Securities Markets Act. Chapter 7, section 18 of the Securities Markets Act shall be applied to any derogation from the duty to notify provided for in this section.

Provisions on the right of a foreign investment firm, management company, insurance company and payment institution to offer services within its authorisation in Finland shall be laid down separately.

Section 4

Trade name

Other than a deposit bank, the Bank of Finland or the Nordic Investment Bank may use the term "bank" in its trade name or otherwise in its operations, only if it is evident that the use of the term does not misleadingly refer to the activity of a deposit bank.

Notwithstanding the provisions of subsection 1, an undertaking may use in its trade name a reference to the trade name of a deposit bank belonging to the same group or the amalgamation of deposit banks.

The provisions of subsections 1 and 2 shall correspondingly apply to an auxiliary trade name and a secondary symbol.

The use of the trade name of a foreign credit institution in Finland shall be governed also by the provisions of Chapter 18, section 9.

Chapter 3

Right to hold shares or participations in a credit institution

Section 1

Duty to notify of acquisition and transfer of shares and participations

Anyone who intends to acquire, directly or indirectly, shares, participations, investment shares or basic fund certificates of a credit institution shall notify the Financial Supervisory Authority thereof in advance if his holding:

1) as a result of the acquisition, is at least 10 per cent of the share capital, co-operative share capital or basic fund of the credit institution;

2) would be so substantial that it would be equivalent to at least 10 per cent of the voting power generated by all shares or participations;

3) would otherwise entitle to use in the administration of the credit institution influence which is comparable to the holding referred to in paragraph 2 or is otherwise significant.

If the holding referred to in subsection 1 is intended to be increased so that as a result of the acquisition the holding is at least 20, 30 or 50 per cent of the share capital, co-operative share capital or basic fund of the credit institution or the holding would be equal to a share of the voting power produced by all shares or participations or the credit institution would become a subsidiary, also this acquisition has to be notified in advance to the Financial Supervisory Authority.

In calculating the shareholding and the percentage of voting rights referred to in subsections 1 and 2, the provisions of Chapter 2, section 4 and Chapter 9, sections 4—7 of the Securities Markets Act shall apply. In the application of this subsection, the shares and participations acquired for a maximum of one year in connection with a securities' issue arranged by the person under the duty to notify shall not be taken into account or by virtue of a market guarantee and by virtue of which the person under the duty to notify shall not be entitled to use voting power in the corporation nor otherwise influence the operation of the management of the corporation.

The notification referred to in subsection 1 or 2 above shall also be made, if the amount of shares or participations held falls below any of the thresholds on holdings provided in either subsection 1 or 2 or the credit institution ceases to be the subsidiary of the party with the duty to notify.

The credit institution and its holding company shall notify the Financial Supervisory Authority at least once a year the owners and the size of the participations referred to in subsections 1 and 2 as well as to notify without delay any changes in the participations that have come to the knowledge of the credit institution. An undertaking, the securities of which have been admitted to trading on a regulated market referred to in Chapter 1, section 2, paragraph 6 of the Act on Trading in Financial Instruments (748/2012) also has to notify the information referred to in this subsection to the European Securities Markets Authority referred to in Chapter 2, section 13 of the Securities Markets Act.

The notification referred to in subsections 1 and 2 above shall disclose the necessary information and clarifications on:

1) the party under the duty to notify and his/her reliability and financial situation;

2) the holdings and other interests in the credit institution of the party under the duty to notify;

3) agreements concerning the acquisition, financing of the acquisition and, in the case referred to in subsection 2, the objectives of the holding.

Further provisions on the information to be attached to the notifications referred to in subsections 1 and 2 above are issued by Government Decree.

Section 2

Restriction concerning acquisition of shares and participations

Provisions on the right of the Financial Supervisory Authority to present to the ECB the prohibition to acquire a participation referred to in section 1 of this Chapter are laid down in section 32 a of the Act on the Financial Supervisory Authority (878/2008) and on the procedure concerning the issue of an injunction in section 32 b of the said Act.

The party under the duty to notify cannot acquire the shares or participations referred to in section 1 before the ECB has made the decision referred to in subsection 1 or the time limit for making the decision laid down in section 32 b of the Act on the Financial Supervisory Authority has expired, unless

Chapter 4

Granting and withdrawal of an authorisation as well as restriction of business activity

Section 1

Application for authorisation

The ECB shall grant the authorisation of a credit institution on application made to the Financial Supervisory Authority as provided in the SSM Regulation, in ECB regulations and decisions issued by virtue thereof, and in this Chapter. The authorisation may be granted for the activity of a deposit bank or a credit society. The accounts to be appended to an application for authorisation shall be provided for by a Decree of the Ministry of Finance.

An opinion of the deposit guarantee fund shall be requested on the application for authorisation of a deposit bank. An opinion of the investors' Compensation Fund referred to in the Act on Investment Firms shall also be requested on the application for authorisation if, in accordance with its Articles of Association or its by-laws, the credit institution may offer investment services.

If an organisation applying for an authorisation is a subsidiary of a foreign credit institution authorised in another EEA Member State, a foreign undertaking comparable to an investment firm or of a foreign undertaking comparable to an insurance company or a subsidiary of a parent company of a foreign credit institution or another foreign undertaking referred to above, an opinion of the relevant supervisory authority of that state shall be requested on the application. An opinion shall be requested also if control in the organisation applying for the authorisation is exercised by the same natural or legal persons that exercise control in a foreign credit institution or another foreign undertaking referred to above. In the request for an opinion referred to in this subsection, the party submitting the opinion shall especially be requested to assess the suitability of the shareholders as well as the reputation and experience of the managers participating in the management of another undertaking belonging to the same group as well as notify any information regarding the said issues with relevance to the granting of the authorisation or the supervision of the credit institution.

If after the granting of the authorisation, material changes take place in the information referred to in subsection 1 forming a precondition for the granting of an authorisation, the credit institution shall notify the Financial Supervision Authority of the changes. The Financial Supervisory Authority shall issue further provisions on notification and its content.

Section 2

Proposal for a decision on the authorisation

The Financial Supervisory Authority shall submit the draft decision on the authorisation of a credit institution to the ECB within four (4) months of the receipt of the application or, if the application has been incomplete, of the submission by the applicant of documents and accounts necessary for deciding the issue. A decision on the authorisation shall, however, always be made within twelve (12) months of receipt of the application.

After hearing the applicant for authorisation, the Financial Supervisory Authority may include in the authorisation restrictions and conditions concerning the business activity of the credit institution that are necessary for the supervision. After the granting of the authorisation, the Financial Supervisory

Authority may, on application by the credit institution, suggest to the ECB change of the terms of the authorisation.

If the draft decision concerning the authorisation has not been issued within the time limit provided for in subsection 1, the applicant may file a complaint. The complaint shall be filed and handled in the same manner as a complaint concerning the rejection of an application is filed and handled. Such complaint may be filed until the draft decision or refusal has been issued. The Financial Supervisory Authority shall inform the appeal authority of the issue of the draft decision or refusal, if the decision is issued after the complaint has been filed. The provisions of the Administrative Judicial Procedure Act (586/1996) shall otherwise be applied to the filing and handling of a complaint referred to in this subsection.

Section 3

Conditions for granting authorisation

An authorisation shall be granted if, on the basis of the account received, it can be ascertained that the owners and founders of the credit institution fulfil the requirements provided in section 4 and the credit institution fulfils the requirements provided for the activity and financial position of a credit institution in Chapters 5 and 10. Authorisation can also be granted to a credit institution to be founded prior to its registration.

Section 4

Reliability of significant shareholders and founders of the credit institution

A person, who either directly or indirectly holds at least ten (10) per cent of the credit institution's share capital or a participation, which produces at least ten (10) per cent of the votes carried by its shares as well as the founder of the credit institution, must be reliable.

A person cannot be deemed reliable if he can be prohibited from acquiring shares or participations in the credit institution by virtue of the grounds provided in section 32 a (1) of the Act on the Financial Supervisory Authority.

Section 5

Granting of an authorisation to a European company and a European Cooperative Society

An authorisation shall also be granted to a European company referred to in Council Regulation (EC) No. 2157/2001 on the Statute for a European company (SE), hereinafter the *SE Regulation* and correspondingly authorised in an EEA Member State, which intends to transfer its registered office to Finland in accordance with Article 8. An opinion of the authority supervising the financial markets of the state in question shall be requested on the application for authorisation. The same shall apply to the incorporation of a European company by merger so that the receiving company with its registered office in another state is registered as a European company in Finland. The provisions of this section on a European company shall correspondingly apply to a European Cooperative Society (SCE) referred to in Council Regulation (EC) No. 1435/2003 on the Statute for a European Cooperative Society, hereinafter the *SCE Regulation*.

Section 6

Notification of the authorisation for registration

The Financial Supervisory Authority shall declare the authorisation for registration. The European Banking Authority shall also be notified of the granting of the authorisation. The authorisation granted to an undertaking to be established and a European company transferring its place of registered office to Finland shall be registered simultaneously with the registration of the undertaking.

The authorisation of a deposit bank shall also be notified to the Deposit Guarantee Fund referred to in Chapter 14 and the authorisation of a credit institution offering investment services to the Investors' Compensation Fund.

Section 7

Commencement of activity

Unless otherwise provided in the terms of the authorisation, a credit institution may commence its activity as soon as the authorisation is granted and the credit institution has submitted the information referred to in subsection 2 to the Financial Supervisory Authority as well as, if the authorisation is granted to an undertaking to be established, after the undertaking has been registered.

A credit institution may not commence its activity before it has submitted to the Financial Supervisory Authority:

1) a complete extract from the Trade Register on the credit institution containing the Articles of Association or by-laws;

2) the names of and other necessary information on the members and deputy members of the Supervisory Board and the Board of Directors, the Managing Director and Deputy Managing Director as well as on the auditors and deputy auditors.

If any changes take place in the information referred to in subsection 2, the new information shall be submitted to the Financial Supervisory Authority without delay.

Section 8

Restriction of operations and withdrawal of the authorisation

Provisions on the withdrawal of the authorisation and the restriction of operations are laid down in sections 26 and 27 of the Act on the Financial Supervisory Authority. The Financial Supervisory Authority shall declare the withdrawal of the authorisation for registration. The withdrawal of the authorisation shall also be notified to the European Commission, the European Banking Authority, the Deposit Guarantee Fund as well as the Guarantee Fund referred to in Chapter 7 of this Act and the Investors' Compensation Fund if the credit institution is a member of the Fund.

As a derogation from the provisions in section 26 of the Act on the Financial Supervisory Authority, the ECB shall decide upon the withdrawal of the authorisation by virtue of the SSM Regulation. Section 26 of the Act on the Financial Supervisory Authority shall also apply to the withdrawal of the authorisation.

Section 9

Notification of requirements for authorisation

The Financial Supervisory Authority shall notify the requirements for granting an authorisation laid down in this Chapter and the provisions issued thereunder to the European Commission and the European Banking Authority. Provisions on the duty to notify the ECB are laid down in the SSM Regulation and in the regulations and decisions issued by virtue thereof.

Chapter 5

General preconditions for business activity

Permitted business activity

Section 1

Business activity permitted to a deposit bank

The business activity permitted to a deposit bank shall comprise:

1) acquisition of deposits and other repayable funds from the public;

2) other acquisition of funds;

3) granting of credits and financing activity as well as other arrangement of financing;

4) financial leasing;

5) payment service and other payment transactions;

6) issuance of electronic money, related data processing and storing of data on an electronic device on behalf of another undertaking;

7) collection of payments;

8) currency exchange;

9) trustee operations;

10) securities trading and other securities operations;

11) guarantee operations;

12) credit reference activity;

13) brokerage of shares and participations in housing corporations as well as of residential real estate relating to home saving activity;

14) other activity comparable or closely related to the activities referred to in paragraphs 1 - 13.

A deposit bank may also attend to postal services in accordance with a contract concluded with a holder of a license for postal operations as well as offer services relating to the management of an undertaking belonging to the same group with the deposit bank or to an amalgamation of deposit banks.

The Articles of Association or the by-laws of a deposit bank shall indicate whether the deposit bank offers investment services referred to in Chapter 1, section 11 of the Investment Services Act.

Section 2

Business activity permitted to a credit society

A credit society may carry on the business activity referred to in section 1(1) of this Chapter with the exception of the acquisition of deposits from the public. A credit society may receive funds repayable on demand other than deposits from the public only in connection with payment services and the issuance of electronic money. A credit society may carry on mortgage credit banking activity. Provisions on mortgage credit banking activity are laid down in the Act on Mortgage Credit Banks.

The Articles of Association or the by-laws of a credit society shall indicate whether the credit society offers investment services referred to in Chapter 1, section 11 of the Act on Investment Services.

The funds repayable on demand received to an account by the credit society for payment service purposes shall be governed by the provisions of Chapter 15, sections 6—10 on a deposit.

Section 3

Restriction on ownership of real estate

A credit institution may invest in real estate as well as in shares and participations of real estate companies at most an amount which corresponds to13 per cent of its balance sheet total. In calculating the ratio referred to above, loans granted to a real estate company and guarantees granted on its behalf by the credit institution shall be deemed comparable to shares and participations held by the credit institution in a real estate company in proportion to the ratio of the shares or participations held by the credit institution in the real estate company to the share capital or co-operative capital of the real estate company.

In calculating the ratio referred to in subsection 1 above, real estate and shares or participations of a real estate company are to be disregarded if:

1) the credit institution has received them as collateral for an unsettled claim; or if

2) they have been leased in connection with financing operations and the risk resulting from any decrease in their value has, in pertinent part, been transferred to the tenant by agreement.

The Financial Supervisory Authority may, for a special reason, grant an exemption from the requirement set in subsection 1 for a fixed period.

A credit institution shall notify the Financial Supervisory Authority of the information necessary to supervise the restriction provided for in this section. The Financial Supervisory Authority may issue provisions necessary for the supervision on the content of the duty to notify and on the frequency of the notifications.

Section 4

Restriction on consolidated ownership of real estate

The total ownership of real estate referred to in section 3 of the parent company of the consolidation group and the subsidiaries of the consolidation group may not exceed an amount which is 13 per cent of the consolidated balance sheet total of the parent company.

In calculating the consolidated ratio referred to in subsection 1, loans granted to a real estate company belonging to the consolidation group of the credit institution and guarantees granted on behalf of this real estate company shall not be included if the real estate company is combined to the consolidated balance sheet.

The consolidated balance sheet of a credit institution referred to in subsection 1 above shall be drawn up as a combination of the balance sheets of the parent company of the consolidation group and the subsidiaries of the consolidation group in compliance with the provisions of the Accounting Act and Chapter 12, section 10 of this Act on the drawing up of consolidated annual accounts.

The Financial Supervisory Authority may, for a special reason and for a fixed period of time, grant an exemption from the requirements of subsection 1.

The parent company of a consolidation group or a credit institution referred to in Chapter 1, section 4(2) shall report to the Financial Supervisory Authority the information necessary for the supervision of the restriction referred to in this section. The Financial Supervisory Authority may issue further provisions, necessary for supervision, on the content of the duty to notify in accordance with this section and on the frequency of the notifications.

Section 5

Application of provisions concerning the grant of a pecuniary loan in the Act on Co-operatives

The provisions of Chapter 16, section 11 of the Act on Co-operatives (421/2013) shall not apply to a credit institution or to a financial institution belonging to the same consolidation group with it.

Section 6

Financing of the acquisition and acceptance as a pledge of own shares, participations, capital loans and subordinated debts and those of a group company

A credit institution may grant a loan for the acquisition of its own shares or participations and shares and participations of the parent company and accept them as a pledge subject to the restrictions laid down in subsections 2—4. Placing of collateral for the payment of a loan referred to above from the funds of a credit institution shall be deemed comparable to granting a loan.

A credit institution and a financial institution belonging to the same consolidation group may, unless otherwise provided for in subsection 3, without prejudice to the provisions of Chapter 13, section 10(1) of the Limited Liability Companies Act (624/2006), Chapter 16, section 11(1) of the Act on Co-operatives as well as section 34(3) of the Promissory Notes Act (622/1947), grant a loan for the acquisition of its own shares and participations or the shares and participations of the parent company and accept them as a pledge if they are admitted to trading on a regulated market referred to in Chapter

1, section 2, paragraph 6 of the Securities Markets Act and if the granting of the loan or acceptance of the pledge belongs to the ordinary business activity of the credit institution or a financial institution belonging to the same consolidation group and if the loan has been granted or the pledge accepted under ordinary terms complied with in the business activity of the credit institution or financial institution.

A credit institution may accept as a pledge its own shares and participations and the shares and participations of the parent company as collateral for a loan granted for the financing of their subscription at most an amount which in nominal value corresponds to 10 per cent of the restricted capital of the undertaking which has granted the loan or, if the shares or participations pledged are those of the parent company of the undertaking which has granted the loan, of the restricted capital of the parent company.

A credit institution may not grant a loan to a group company which does not belong to the same consolidation group for the acquisition of shares or participations of an undertaking belonging to the consolidation group.

The provisions of this section on a credit institution shall also apply to any other undertaking belonging to the credit institution's consolidation group.

The provisions of this section on shares and participations shall correspondingly apply to basic fund shares, investment shares, capital investments, capital loans, debenture bonds and other commitments subordinate to the other debts of the issuer.

Provisions on considering own financial instruments or those belonging to the same consolidation group financed by the credit institution or accepted as collateral as own funds of the credit institution are laid down in Articles 28, 52 and 63 of the Capital Requirements Regulation.

Section 7

Restrictions on the acquisition of securitisation positions

A credit institution may acquire securitisation positions only subject to the restrictions of the Capital Requirements Regulation.

General supervisory provisions applicable to activity

Section 8

Recording of business transactions

A credit institution shall have a description of the accounting system and other information systems and a credit institution shall record its business transactions so that the Financial Supervisory Authority may adequately verify the accuracy of the information that a credit institution shall notify to the Financial Supervisory Authority by law and the provisions issued by virtue thereof.

Section 9

Places of business

A credit institution shall have its main office and at least one fixed place of business in Finland.

Section 10

Use of an agent and other outsourcing of a significant activity

A credit institution may carry out its business operations through an agent or otherwise outsource its activities significant with regard to its business operations if this does not impair the risk management or internal control of the credit institution or otherwise the attendance to the business operations of the credit institution in a significant manner.

An activity is significant with regard to the operations of a credit institution if an error or deficiency in its performance may materially impair compliance with the Acts relating to the operations of the credit institution or the provisions issued thereunder or with the terms of the authorisation of the credit institution or the financial position of the credit institution or the continuance of its operations.

A written agreement shall be drafted on the outsourcing of a significant activity indicating the contents of the assignment and the period of validity of the agreement.

A credit institution that, after the granting of the authorisation, intends to carry out business operations through an agent or otherwise outsource an activity significant with regard to its business operations to a party other than one belonging to the same consolidation group or to the amalgamation of deposit banks shall notify the Financial Supervisory Authority of the outsourcing in advance. Any significant changes in the contractual relationship between the credit institution and the party managing the outsourced activity shall be notified to the Financial Supervisory Authority. The Financial Supervisory Authority may issue further provisions on the contents of the notification.

However, the notification referred to in subsection 4 above, need not be submitted if the agent or the other party managing the outsourced activity belongs to the same consolidation group as the credit institution or to an amalgamation referred to in the Act on the Amalgamation of Deposit Banks.

The outsourcing of the investment services provided by a credit institution shall be governed by the Act on Investment Services.

Section 11

Preconditions for outsourcing

A credit institution shall ensure that it continuously receives the necessary information required by regulatory control, risk management and internal control from the party managing the outsourced activity and that it has the right to forward the information to the Financial Supervisory Authority and the central organisation of the amalgamation of deposit banks if the credit institution is subject to supervision by the central organisation.

Section 12

Close links of a credit institution

A significant link shall not exist between a credit institution and a natural or legal person that is governed by acts, decrees or administrative provisions of a state not belonging to the European Economic Area that prevent the effective supervision of the credit institution, or another party if the significant link is otherwise likely to prevent the effective supervision of the credit institution.

A significant link shall mean a close link referred to in Article 4(1), subparagraph 38 of the Capital Requirements Regulation.

Section 13

Acquisition of control in a foreign undertaking

A credit institution or an undertaking belonging to the same consolidation group may not acquire control referred to in Chapter 1, section 5 of the Accounting Act in a foreign undertaking other than a foreign EEA credit institution or a foreign EEA investment firm, a foreign EEA payment institution, a foreign EEA management company, a foreign EEA AIFM or a foreign EEA insurance company, unless the undertaking has notified the Financial Supervisory Authority thereof in advance or if the Financial Supervisory Authority, upon receipt of the notification, has prohibited to the acquisition within the period of time laid down in subsection 2.

The Financial Supervisory Authority may, within three months from receipt of the notification referred to in subsection 1, prohibit the acquisition referred to in subsection 1 if the laws, decrees or administrative provisions applicable to the undertaking subject to the acquisition would materially impede the efficient supervision of the credit institution or its consolidation group.

Section 14

Inclusion of a credit institution in a foreign consolidation group or a foreign financial and insurance conglomerate

If a credit institution belongs to a consolidation group whose ultimate parent company is located in a state other than an EEA Member State, a precondition for the granting of an authorisation of a credit institution shall be that:

1) the foreign authority has sufficient competence to supervise the entire consolidation group in a manner comparable to the provisions of this Act; or that

2) it can be proved that the consolidated solvency, consolidated large exposures to customers, the internal supervision of the consolidation group and its risk management methods as well as the suitability and reliability of the owners and the management of the holding company comply with the requirements of this Act.

The Financial Supervisory Authority shall decide whether a credit institution meets the requirements of subsection 1 if the credit institution does not have a parent company in another EEA Member State and the balance sheet total of the credit institution exceeds the balance sheet total of any other such foreign subsidiary credit institution or foreign subsidiary comparable to a Finnish investment firm of the parent company of the credit institution whose place of registered office is in another EEA Member State.

The Financial Supervisory Authority shall, prior to making the decision referred to in subsection 2, request a statement thereon from the foreign authorities in charge of the supervision of foreign credit institutions belonging to a consolidation group referred to in subsection 1 and governed by another EEA Member State or foreign undertakings comparable to a Finnish investment firm and from the European Banking Authority. After making its decision, the Financial Supervisory Authority shall notify these authorities, the European Commission and, if the consolidation group comprises a foreign undertaking comparable to a Finnish investment firm whose place of registered office is in another EEA Member State, to the European Securities Markets Authority.

The provisions of subsection 1 shall not be applied to a credit institution subject to the consolidated supervision by the supervisory authority of another EEA Member State if this authority has deemed that the consolidation group meets the requirements set in subsection 1.

The provisions of subsections 1 and 3 on a consolidation group and consolidated supervision shall correspondingly be applied to a financial and insurance conglomerate and its supervision.

Section 15

Intra-group transactions

A credit institution shall report to the Financial Supervisory Authority any transactions where one of the parties is the credit institution and the other party is:

1) an undertaking which belongs to the same group as the credit institution or which is a participating undertaking referred to in the Accounting Act of the credit institution or of an undertaking belonging to the same group;

2) a pension foundation referred to in the Act on Pension Foundations (1774/1995) and established by the credit institution or another employer undertaking belonging to the same group where the persons covered by its sphere of activity are employed by the employer undertaking;

3) a pension fund referred to in the Insurance Fund Act (1164/1992) where the persons covered by its sphere of activity may be employed by the credit institution or another employer undertaking belonging to the same group.

The report referred to in subsection 1 shall be submitted at least quarter-annually on transactions when their value, or in case several transactions of the same class have been concluded during the period of time referred to in this subsection, their aggregate value exceeds a million euros or 5 per cent of the own funds of the credit institution that is party to the transaction, unless the Financial Supervisory Authority approves a higher limit for reporting.

The transactions referred to in this section may not be executed under terms derogating from the terms generally complied with in similar transactions between independent parties. The provisions of this subsection shall not be applied to the acquisition of administrative services needed by the group companies from an undertaking belonging to the group nor to capital and debenture loans granted by the parent company to the subsidiary which are necessary to strengthen the capital structure of the subsidiary, nor to other financing of the subsidiary when the subsidiary is an undertaking belonging to the same consolidation group or an undertaking in the financial or insurance sector belonging to the same financial and insurance conglomerate and the parent company generally attends to the asset management of the consolidation group or the conglomerate.

The Financial Supervisory Authority may issue further provisions on the reporting of the transactions referred to in this section.

Preparedness for exceptional circumstances

Section 16

Duty to prepare

A credit institution shall ensure attendance to its duties with as little disturbance as possible also in exceptional circumstances by participating in the preparedness planning of the financial markets and by preparing in advance the actions to be taken in exceptional circumstances as well as by other measures.

Section 17

Reimbursement of costs resulting from preparedness

If the tasks resulting from section 16 require measures which clearly differ from the operations of a credit institution to be considered ordinary and which entail considerable additional costs, such costs may be reimbursed from the National Emergency Supply Fund referred to in the Act on the Protection of National Emergency Supply (1390/1992).

Chapter 6

Establishment of a branch, provision of services to Finland and transfer of the registered office abroad

Section 1

Establishment of a branch in an EEA Member State

A credit institution that intends to establish a branch in an EEA Member State shall notify the Financial Supervisory Authority thereof in advance. The notification shall be appended with information on the activity intended to be carried out as well as information on the management of the branch. A credit institution providing investment services shall notify the manner in which the claims of investors who are clients of its branch in another state than Finland have been protected.

The Financial Supervisory Authority shall, within three months from the receipt of the information referred to in subsection 1, forward the information to the corresponding supervisory authority of the state in question as well as simultaneously provide information on the amount of own funds and solvency ratio of the credit institution, the guarantee scheme protecting the investors, the compensation scheme intended to protect the investors or on the lack thereof as well as other information necessary for the commencement of the activity of the branch. The credit institution shall be notified of the submission of information.

The Financial Supervisory Authority shall refuse to submit the notification referred to in subsection 2 if it finds that the financial situation and the management of the credit institution do not comply with the requirements laid down for a credit institution in this Act. A branch cannot be established if the Financial Supervisory Authority has refused to submit the notification. The Financial Supervisory Authority shall notify the European Commission and the European Banking Authority of the decision relating to refusal.

The credit institution shall notify the Financial Supervisory Authority and the supervisory authority of the EEA state referred to in subsection 1 in writing of any changes in the information referred to in subsection 1 at the latest one (1) month prior to their implementation.

Section 2

Establishment of a branch in a state outside the European Economic Area

A credit institution that intends to establish a branch in a non-EEA state shall apply for authorisation for the establishment of a branch from the Financial Supervisory Authority. The authorisation shall be granted if adequate supervision of the branch can be arranged and if, taking into consideration the management and financial status of the credit institution, the establishment is not likely to endanger the activities of the credit institution. An opinion of the Bank of Finland shall be requested on the application for authorisation. After hearing the applicant for the authorisation, the Financial Supervisory Authority shall have the right to include restrictions and conditions relating to the activities of the branch that are necessary for the supervision.

The accounts to be attached to the application for authorisation shall be provided for by a Decree of the Ministry of Finance.

Section 3

Restriction and prohibition of operations of a branch

Provisions on the restriction and prohibition of operations are laid down in section 27 of the Act on the Financial Supervisory Authority.

Section 4

Provision of services

A credit institution that intends to provide the services referred to in Chapter 5, section 1(1) within the territory of another EEA Member State without establishing a branch shall inform the Financial Supervisory Authority in advance of the services it intends to provide.

The Financial Supervisory Authority shall, within one month of receipt of the notification referred to in subsection 1, communicate the information to the supervisory authority of the state referred to in subsection 1 accompanied by its own notification as to whether the authorisation of the credit institution in Finland covers the said services.

Section 5

Freedom of establishment and right to provide services of a financial institution belonging to a consolidation group

A Finnish financial institution belonging to the same consolidation group as a credit institution may, after meeting the requirements set for the establishment of a branch or provision of services in an EEA Member State, establish a branch or otherwise provide services in an EEA Member State. The provisions of sections 1 and 4 shall be complied with in the establishment of a branch and the provision of services.

The Financial Supervisory Authority shall examine that the requirements referred to in subsection 1 are met and, when a financial institution meets the requirements, issue a certificate thereof.

The financial institution shall notify the Financial Supervisory Authority of any changes in the circumstances of the financial institution that would have an effect on the requirements referred to in subsection 1. The Financial Supervisory Authority shall notify the supervisory authority of the state in question if the financial institution no longer meets the requirements referred to in subsection 1.

Section 6

Transfer of the registered office to another EEA Member State

If a credit institution intends to transfer its registered office to another EEA Member State as provided for in Article 8 of the European Company Regulation or in Article 7 of the European Cooperative Society Regulation, the credit institution shall submit to the Financial Supervisory Authority a copy of the transfer proposal and report referred to in Article 8 (2) and (3) of the European Company regulation or in Article 7 (2) and (3) of the European Cooperative Society Regulation immediately after the credit institution has declared the proposal for registration.

If the credit institution intends to continue credit institution activity in Finland after the transfer of the registered office, it shall be governed by the provisions of the Act on the Operations of a Foreign Credit Institution in Finland.

The registration authority may not issue a certificate referred to in section 9(5) of the Act on European Companies (742/2004) or in section 9(5) of the Act on European Cooperative Societies (906/2006) if the Financial Supervisory Authority has notified the registration authority prior to the granting of the permission referred to in section 9(2) of the Act on European Companies or in section 9(3) of the Act on European Cooperative Societies that the credit institution has not complied with the provisions on the transfer of the registered office or the continuance or termination of operations in Finland. The permission may be granted prior to the due date referred to in Chapter 16, section 6(2) of the Limited Liability Companies Act or in Chapter 16, section 13 (1) of the Act on Co-operatives only if the Financial Supervisory Authority has notified that it does not oppose the transfer of the registered office.

PART II

GOVERNANCE

Chapter 7

Corporate Governance

Section 1

General requirements on corporate governance

A credit institution's corporate governance shall be comprehensive and proportionate with respect to the nature, scope and diversity of its operations to ensure the efficient management of the credit institution in accordance with prudential business principles and that the Board of Directors of the credit institution can effectively supervise the management of the credit institution. The Board of Directors shall approve

the risk strategy and other strategic objectives of the credit institution and ensure that their compliance is reliably monitored.

The Board of Directors shall ensure the reliability of the internal monitoring systems of the credit institution. These include at least procedures relating to financial reporting, finances, operation, regulation and internal principles pertaining to the credit institution as well as fulfilling the credit institution's duty of disclosure and compliance and monitoring thereof. Risk taking and risk management systems of the credit institution must fulfil the requirements of Chapter 9.

The tasks in the management and operation of a credit institution shall be separated so that any conflicts of interest which may jeopardise the efficient management of the institution in accordance with prudential business principles shall be avoided. The Chairman of the Board of Directors of the credit institution cannot, without the permission of the Financial Supervisory Authority, simultaneously be the managing director of the same credit institution, unless the credit institution has a Board of Governors, which has, according to the Articles of Association or by-laws, been allocated the tasks that otherwise belong to the Board of Directors.

The Board of Directors shall regularly assess the effectiveness of corporate governance of the credit institution and take necessary measures to rectify any shortcomings.

If the credit institution has a Board of Governors, the provisions of this Chapter on the Board of Directors shall apply to the Board of Governors in the extent that it has by the Articles of Association or by-laws been allocated tasks that otherwise belong to the Board of Directors.

The provisions in this Chapter on a credit institution and its corporate governance shall apply to the parent company of the credit institution's consolidation group, other undertaking belonging to its consolidation group as well as to corporate governance of the credit institution's consolidation group.

Section 2

Requirements concerning the composition and working of the Board of Directors of a credit institution

The Board of Directors of a credit institution shall have adequate and versatile knowledge and experience relative to its tasks on the business activities and related risks of the credit institution. The credit institution shall use adequate resources to familiarise the Board members to their tasks.

The Board of Directors shall approve for the credit institution operating principles to advance the versatility of the composition of the Board of Directors. The Board of Directors shall approve an objective of equal representation of the genders in the Board of Directors for the credit institution and prepare operating principles by which this objective can be achieved and maintained.

Work of the Board of Directors shall be organised so that an individual Board member or a minority of the Board members does not dominate the decision-making of the Board of Directors inappropriately or contrary to the interests of the Board of Directors. A single Board member shall act in his task so that the Board of Directors may fulfil its tasks and independently supervise the activities of the operative

Section 3

Nominations Committee

A credit institution, which is significant for the financial system as referred to in Chapter 10, section 7 or 8, shall have a Nominations Committee that consists of Board members or persons appointed by the shareholders. If the credit institution belongs to a consolidation group or to an amalgamation of deposit banks, which is in the aforesaid manner significant, only the parent company of the consolidation group and the central organisation of the amalgamation of deposit banks must have a Nominations Committee.

The task of the Nominations Committee is to assist the Board of Directors or the body electing the Board members in matters relating to the nomination and election of the members and operative management. A member of the Committee cannot in an employment relationship participate in the daily management of a credit institution or undertaking, the matters of which belong to the tasks of the Committee.

The Nominations Committee shall assist the Board of Directors or other body electing the Board members at least in the following matters:

1) assessment of the amount of time required for knowledge and skills, experience and versatility necessary for the operation of the Board of Directors and membership therein determining the tasks of new members and defining the required readiness and search for candidate members;

2) assessment of the composition and working of the Board of Directors and the working of individual Board members;

3) assessment of the selection criteria and selection process of operative management;

4) promoting the objective referred to in section 2(2).

The assessments referred to in subsection 3, paragraphs 1—3 above shall be performed regularly and the assessment referred to in paragraph 2 at least once a year.

If a Nominations Committee does not exist, or it is not allocated the tasks provided for in this section, the Board of Directors or the Board of Governors to the extent that these tasks belong to the Board of Governors in accordance with the Articles of Association or the by-laws shall be responsible for the said tasks.

Section 4

Qualification and trustworthiness requirements of the credit institution's management

The members of the Board of Directors and members of the operative management shall be trustworthy, reputable persons who are not bankrupt, subject to a business prohibition and whose capacity has not been otherwise restricted.

A person shall not be considered reliable and reputable, if (s)he has:

1) been sentenced to imprisonment in the five years preceding the evaluation or imposed a fine in the three years preceding the evaluation, which can be considered to indicate that (s)he is manifestly unsuitable for the task referred to in subsection 1; or

2) otherwise through earlier actions indicated to be manifestly unsuitable for the task referred to in subsection 1.

The time limit referred to in subsection 2(1) above shall be calculated from the issue of a final judgement to the time of acceptance of the task. If the sentence has not become legally valid, the sentenced person can, however, continue to exercise control which belongs to a member of the credit institutions' management, provided that it can be considered clearly justified as a whole taking into account his/her earlier activity, the circumstances leading to the conviction and other relevant factors influencing the matter.

A member of the Board and a person belonging to the operative management of a credit institution shall have such knowledge and expertise on the business activities, central risks related thereto and management of a credit institution as is necessary with regard to the person's task and the nature, scope and diversity of the activities of a credit institution.

The credit institution shall without delay notify the Financial Supervisory Authority of any changes concerning the management referred to in subsection 1.

Section 5

Time management by the management of the credit institution

A member of the Board of Directors, the managing director and any other person belonging to the operative management of a credit institution shall spend an adequate amount of time in taking care of the responsibilities of the task provided for in this Act and other related responsibilities. In the assessment of the maximum number of Board memberships a Board member and the managing director and their other tasks, at least the personal circumstances of a Board member and a managing director have to be taken into account as well as the nature, scope and diversity of the activities of a credit institution.

A Board member or the managing director in full-time employment with a credit institution significant for the financial system as referred to in Chapter 10, section 7 or 8 below, may hold a maximum of two other types of Board memberships and a Board member in other than full-time employment a maximum of four Board memberships.

Board memberships and managing directorships that are calculated as one managerial task:

1) in undertakings belonging to the same consolidation group or the same amalgamation of deposit banks; and

2) in undertakings, in which a credit institution holds significant ownership referred to in Article 4(1), subparagraph 36 of the Capital Requirements Regulation.

The provisions of subsections 2 and 3 shall not apply to a Board member, who is elected to the management of a credit institution as a representative of the State, nor to Board membership in or being a managing director of a housing corporation, a mutual real estate limited company referred to in

Chapter 28, section 2 of the Limited Liability Housing Companies Act (1599/2009), non-profit or financial association or other undertaking the main purpose of which is other than yielding a profit to the shareholders or holders of participations, provided that the task does not jeopardise compliance with the principles provided in subsection 1 above.

The provisions of subsections 1—3 shall not apply to a Board member, who is a representative of the personnel as referred to in the Act on Personnel Representation in the Administration of Undertakings (725/1990).

The Financial Supervisory Authority may allow a Board member and the managing director to take on one additional membership in addition to the maximum amounts provided in subsection 2, if it does not jeopardise compliance with the principles provided in subsection 1. The Financial Supervisory Authority shall inform the European Banking Authority of the exemption order granted by it.

Section 6

Reporting of violations

A credit institution shall have effective internal mechanisms for reporting of suspected breaches of the provisions concerning the financial markets by the employees of credit institutions. The personal details of the relator and the reported person are confidential, unless otherwise provided by law.

A credit institution shall retain the necessary information concerning the report referred to in subsection 1 above. The information shall be removed in five years after the reporting, unless further retention of the information is necessary for a criminal investigation, pending litigation, due to the authorities' investigation or in order to safeguard the rights of the relator or the reported person. The necessity of retention of the information shall be inspected at the latest in three years from the previous inspection. An entry shall be made of the inspection.

The reported data subject does not have a right of inspection of the information referred to in subsections 1 and 2. The Data Protection Ombudsman can on request of the data subject verify the legality of the information referred to in subsections 1 and 2 concerning the data subject.

A credit institution shall implement appropriate and adequate measures in order to protect the relators.

The Financial Supervisory Authority may issue further provisions on the reporting referred to in subsection 1 and the handling thereof in a credit institution.

Section 7

Availability of information on the Internet

A credit institution shall have an account on how it complies with the provisions of sections 1—5 of this Chapter available on its website.

Chapter 8

Remuneration

Section 1

Application of provisions

In the application of the provisions of this Chapter the size of the credit institution and its consolidation group shall be taken into account, the legal and administrative structure and the nature, scope and complexity of their activities as well as the duties and responsibilities of each recipient of remuneration.

The provisions of sections 11 and 12 of this Chapter shall only apply to remuneration policies concerning persons, whose professional activity has an essential effect on the risk position of the credit institution. Such persons include:

1) the managing director and other operative management;

2) another person, whose professional activity has an essential effect on the risk position of the credit institution;

3) a person, who works in internal supervisory tasks of the credit institution referred to in section 6;

4) another person, the total amount of whose remuneration does not significantly differ from the total remuneration amount obtained by the persons referred to in paragraphs 1 or 2.

A credit institution shall maintain a list of the persons referred to in subsection 2.

Section 14 of this Chapter shall only be applied to remuneration in a credit institution obtaining government subsidy referred to in the Act on Government Guarantee Fund (379/1992).

The provisions of this Chapter on credit institutions shall also apply to the parent company of the consolidation group of the credit institution and another undertaking belonging to its consolidation group as well as to the amalgamation of deposit banks and its central organisation.

The provisions of sections 7 and 8 of this Chapter on a General Meeting shall also apply to another body using the highest decision-making power in the credit institution and a member thereof.

If the credit institution has a Board of Governors, the Board of Governors shall be responsible for the tasks of the Board of Directors provided for in this Chapter to the extent that it has by the Articles of Association or by-laws been allocated tasks that belong to the Board of Directors.

Section 2

Definitions

For the purposes of this Chapter:

1) *remuneration policy* shall mean decisions, agreements, principles and procedures, which a credit institution complies with in the remuneration of the managing director and the personnel;

2) *employment relationship* shall mean the employment and employment relationship of a managing director or a person in a similar position between the institution and the recipient of remuneration;

3) *remuneration* shall mean the salary or other pecuniary benefit based on the employment relationship inclusive of the compensation payable on termination of the employment relationship referred to in section 10(3) and such a pension benefit, payment of which is not a statutory obligation of the institution;

4) *the variable remuneration* shall mean remuneration which is not fixed, based on performance or financial or other factors of the recipient of remuneration;

5) *fixed remuneration* shall mean a salary or other remuneration linked to a certain period or other factor independent of performance or result;

6) *recipient of remuneration* shall mean the person on the basis of whose employment relationship the remuneration shall be paid;

7) *earning period* shall mean a period of time during which on the basis of a work performance carried out or another factor concerning the period the variable remuneration paid to the recipient of remuneration by the credit institution shall be determined;

8) *deferral period* shall mean the period subsequent to the earning period after the expiry of which the recipient of remuneration incurs a right to variable remuneration or, if the remuneration is paid in parts, to a part of remuneration, subject to the requirements laid down in this Chapter and provided that the possible other conditions set by the credit institution are met;

9) *waiting period* shall mean a specific period determined in the remuneration policy and if the remuneration is subjected to a deferral period, the time period after the deferral period during which the recipient of remuneration cannot yet determine a remuneration other than that paid in cash.

Section 3

General requirements concerning remuneration policies

The remuneration policies of a credit institution shall be consistent with the business strategy, objectives and values of the institution and its consolidation group as well as correspond with the long-term benefit of the institution and its consolidation group. The remuneration policies shall be consistent with and advance the efficient risk management of the institution and its consolidation group.

The remuneration policies shall not encourage to take risks, which exceed the risk level that is determined on the basis of the carrying capacity of the institution and its consolidation group or otherwise lasting risk level.

Section 4

Supervision of the remuneration policies

The Board of Directors of a credit institution shall determine the general principles of the remuneration policies applicable at the institution for the operative management and the entire personnel of the institution as well as regularly monitor and assess the effectiveness of the remuneration policies and

compliance with the determined principles and procedures. The Board of Directors of the parent company of the credit institution's consolidation group shall supervise that the provisions of this Chapter concerning the remunerations policies shall be complied with throughout the consolidation group.

The remunerations policies shall be managed so that such conflicts of interest can be avoided, which can jeopardise the efficient management of the business activity of the institution or its consolidation group in accordance with prudential business principles.

The internal supervisory function of the institution or its consolidation group, independent of the business activities, shall at least once a year verify that the remunerations policies decided by the Board of Directors have been complied with.

Section 5

Remuneration Committee

A credit institution, which is significant for the financial system as referred to in Chapter 10, section 7 or 8, shall have a Remuneration Committee that consists of Board members and its task is to assist the Board of Directors of a credit institution in decisions concerning the management and control of remuneration policies. If the credit institution belongs to a consolidation group or to an amalgamation of deposit banks, which is in the aforesaid manner significant, only the parent company of the consolidation group and the central organisation of the amalgamation of deposit banks shall have a Remuneration Committee.

The composition and operation of the Remuneration Committee shall be constituted in such a way as to enable it to exercise independent judgement on remuneration policies' incentives and other effects for managing risk, capital and liquidity. The Remuneration Committee shall in the course of performance of its duties take into account the long-term benefit to shareholders, investors and other interest groups of a credit institution as well as the public interest. The Chairman and members of the Remuneration Committee cannot in an employment relationship participate in the daily management of a credit institution or undertaking, the matters of which pertain to the tasks of the Committee. If personnel representatives, referred to in the Act on Personnel Representation in the Administration of Undertakings, are as Board members, at least one of them shall be appointed as a member of the Remuneration Committee.

If a Remuneration Committee does not exist, or it is not allocated the tasks mentioned in this section, the Board of Directors or the Board of Governors to the extent that these tasks belong to the Board of Governors in accordance with the Articles of Association or the by-laws shall be responsible for the said tasks.

Section 6

Persons employed in supervisory functions and their remuneration

The Board of Directors or the Remuneration Committee of the parent company of the credit institution or the consolidation group, if it belongs to a consolidation group, shall supervise the remuneration of persons with a responsible position in the internal supervisory functions of a credit institution.

Remuneration of a person employed in a supervisory function shall be determined on the basis of realisation of the objectives set for supervision and it cannot be dependent on the result of the business unit under that person's supervision.

Section 7

Ratio of fixed and variable remuneration

The basis of assessment for the fixed and variable remuneration shall be clearly separable from each other. The fixed remuneration shall be primarily determined on the basis of the person's professional experience, work description and responsibilities. The variable remuneration shall reflect the durable and risk-adjusted result of a credit institution as well as the personal performance of the recipient of remuneration that exceeds his normal level of performance in accordance with his work description.

A credit institution shall determine a reasonable ratio of fixed and variable remuneration and how high the variable remuneration may rise. The terms of the remuneration policy shall be such that a credit institution may decide to not pay a variable remuneration at all or in part subject to the other conditions provided in this Chapter or in the remuneration policy as well as to decide upon the payment of the remuneration with the financial instruments referred to in section 12 and postpone the payment of the remuneration in the manner referred to in section 11. The fixed remuneration of the recipient of the remuneration must be sufficient so that the potential non-payment of the variable remuneration is not unreasonable for the recipient of the remuneration.

The ratio of the variable remuneration cannot exceed 100 per cent of the aggregate amount of fixed remuneration for each recipient of remuneration, unless otherwise decided by the general meeting of a credit institution. The general meeting cannot, however, approve a higher ratio of variable remuneration than 200 per cent of the aggregate amount of fixed remuneration.

Section 8

Decision-making of the general meeting concerning a high maximum share of variable remuneration

A proposal made to the general meeting for a decision referred to in section 7(3) shall be sufficiently identified and it shall justify why a higher maximum share of variable remuneration should be approved. The proposal shall at least explain what is the number of persons and their areas of responsibility affected by the decision as well as the effect of the decision on the solvency of a credit institution. The proposal referred to in this section shall be mentioned in the invitation to the general meeting.

A credit institution shall notify the Financial Supervisory Authority without delay of the proposal to be made to the general meeting after the making of the proposal was decided upon or the proposal has come to the knowledge of a credit institution. The Board of Directors of a credit institution shall no later than three weeks prior to the general meeting or immediately thereafter, once the proposal has come to the knowledge of a credit institution, give a statement to the Financial Supervisory Authority on whether it considers acceptance of the proposal to be contradictory to the Capital Requirements Regulation and to requirements concerning adequate own funds, in particular.

If at least half of all company shares are represented in the general meeting of a credit institution, the opinion supported by no less than two-thirds of all votes cast shall become the decision of the general meeting. If less than half of all company shares are represented in the general meeting of a credit

institution, the opinion supported by no less than three-quarters of all votes cast shall become the decision of the general meeting.

A shareholder, whom the decision referred to in this section applies to, or his counsel, cannot vote in the matter, unless the decision applies to all shareholders of a credit institution.

A credit institution shall notify the Financial Supervisory Authority without delay of the decision of the general meeting referred to in this section. The Financial Supervisory Authority shall notify the decision to the European Banking Authority.

Section 9

Requirements concerning variable remuneration

A credit institution shall comply with the requirements of this section in the determination and payment of variable remuneration.

A variable remuneration shall be based on a total evaluation of the performance of the recipient of remuneration and the business unit in question as well as the total revenue of a credit institution and, if the institution belongs to a consolidation group, of a consolidation group, and its development. In evaluating the performance, economic and other factors have to be taken into account as well as how the performance or result has been realised in the long term.

The payment of performance-based components of remuneration to the recipients of remuneration is spread over a period which takes account of the underlying business cycle of the credit institution and its business risks. At least the known risks at the time of evaluation and future risks, capital expenditure and necessary liquidity have to be taken into account in the amounts of remuneration payable.

The total amount of remuneration payable by a credit institution cannot be so high as to limit the ability to strengthen its capital base.

The recipient of remuneration may accrue a right to the variable remuneration and the variable remuneration can only be paid to him if payment does not jeopardise the sufficient amount of own funds of the credit institution and its consolidation group pursuant to the Capital Requirements Regulation and that the payment is justified when estimated as a whole for the result of the credit institution and its consolidation group, result of the recipient of remuneration's business unit as well as the personal performance of the recipient of remuneration.

A right to variable remuneration may be created to a recipient of remuneration and it may be paid to him only if the recipient of remuneration has not violated the regulations or instructions, binding on a credit institution, or the principles or procedures determined by a credit institution, or by his action or omission contributed to the said violation. It must also be possible to leave a variable remuneration unpaid or to recover a variable remuneration if such violation comes to the knowledge of a credit institution only after determination or payment of remuneration. In determining and applying in its remuneration policies the restrictions laid down in this subsection, a credit institution shall in particular take into account whether the recipient of remuneration's behaviour has contributed to the significant economic loss and whether the recipient of remuneration's behaviour is contrary to the requirement of reliability and qualifications concerning the Board of Directors of a credit institution.

Section 10

Remuneration in transfer situations

A credit institution may commit to the payment of guaranteed variable remuneration only on particularly weighty grounds and provided that the promised remuneration is limited to the first year of employment of the recipient of remuneration. The said commitment and payment of the remuneration shall be consistent with the sound and strong capital structure of the institution as well as the personal performance requirement of the recipient of remuneration. The remuneration referred to in the commitment shall be clearly distinguished from the discretionary remuneration policy.

A credit institution is entitled to commit to a remuneration policy based on an earlier employment relationship or similar policy only if it is consistent with the long-term interests of the institution. In evaluating the fulfilment of the preconditions, a credit institution shall take into account the engagement effect of the previous policy on the new employment as well as the requirements pursuant to this Chapter pertaining to deferral of payment and repayment.

Severance pay or other compensatory payments relating to the early termination of a contract shall reflect the requirements laid down in this Chapter and the grounds for payment shall be such that they do not reward failure or misconduct.

Section 11

Deferral of payment of variable remuneration

A substantial portion, and in any event at least 40 per cent, of the total variable remuneration component is deferred over a period which is not less than three to five years as of the expiry of the earning period. The length of the deferral period shall be established in accordance with the business cycle, the nature of the business, its risks and the activities and responsibilities of the recipient of remuneration in question. In the case of a variable remuneration component being a particularly high amount of the total amount of fixed and variable remuneration, at least 60 per cent of the variable remuneration amount shall be deferred in the aforesaid manner. If the deferred remuneration shall be paid in several instalments subject to different deferral periods, the recipient of remuneration may become entitled to the total amount of the deferred remuneration gradually at the same ratio as the passing of the total deferral period.

Section 12

Non-cash payment of variable remuneration and setting a deferral period

At least half of the defined variable remuneration shall be paid as other than a cash payment. Shares shall be used for it or, if the shares of a credit institution are not traded on a regulated market referred to in Chapter 1, section 2, paragraph 6 of the Act on Trading in Financial Instruments, other comparable financial instruments issued for trading by a credit institution and referred to in Articles 52 and 63 of Capital Requirements Regulation which can be fully converted to core capital or written down. The value of the financial instruments used shall reflect the changes in equity capital or credit standing of a credit institution or an undertaking belonging to its consolidation group.

In paying the variable remuneration with the financial instruments referred to in this section, a deferral period shall be attached thereto, the length of which is consistent with the deferral periods established pursuant to section 11.

Section 13

Prohibited procedures

A credit institution is not entitled to pay variable remuneration in a manner the effect of which is comparable to procedures contrary to the provisions of this Chapter.

A credit institution shall demand the recipient of remuneration to undertake to refrain from using financial instruments, insurance or other comparable measures as protection against the personal risk pertaining to the remuneration policy referred to in this Chapter.

The Financial Supervisory Authority may restrict or prohibit the use of a certain financial instrument or arrangement for the payment of variable remuneration irrespective of whether it is included in the deferred share or not, if the procedure can be considered contrary to the provisions of this Chapter.

Section 14

Remuneration in credit institutions receiving government subsidies

A credit institution is entitled to pay as variable remuneration a maximum total amount corresponding to a specific percentage of net revenue of the institution where payment of variable remuneration would be inconsistent with the maintenance of a sound and strong capital base of a credit institution and timely exit from government support. The maximum percentage shall be decided by the Ministry of Finance on proposal of the Board of Directors of a credit institution for a financial period at a time on the basis of the credit institution's confirmed financial statements.

The Ministry of Finance may, as a precondition for the receipt of government support, require a credit institution to amend its remuneration policies so that they are consistent with the requirements referred to in subsection 1 and also with the proficient risk management and sustainable financial position of the credit institution. The Ministry of Finance may correspondingly require a credit institution to limit the remuneration payable to the management of the credit institution and entirely prohibit the payment of variable remuneration to the management of the credit institution, if the payment does not comply with the requirements laid down in this section or if payment of the remuneration is not justified in the interests of the credit institution nor in the public interest when assessed as a whole.

Section 15

Availability of information on the Internet

A credit institution shall have an account available on its website on how it complies with the provisions of this Chapter.

Section 16

Tasks of the Financial Supervisory Authority in supervision of remuneration policies

The Financial Supervisory Authority shall monitor the development of the remuneration policies of credit institutions and the practices abided by them and provide information concerning the remuneration to the European Banking Authority in the form determined by the authority. In addition to the provisions of Article 450 of the Capital Requirements Regulation, the Financial Supervisory Authority shall also require from the instances under its supervision information on:

1) the number of the persons, to whom a credit institution has paid salaries and remuneration at least in the amount of EUR 1 million per financial period;

2) the job description of the said persons as well as the area of business they work in;

3) division of the remuneration into fixed and variable components and the terms on the deferral of remuneration as well as other central terms on the remuneration policies, which the persons belong to.

The Financial Supervisory Authority may issue further provisions on the notification of the information referred to in this section.

Chapter 8 a (19.12.2014/1199)

Recovery plan

Section 1

Duty to prepare a recovery plan

A credit institution which does not belong to a group within the scope of consolidated supervision referred to in Chapter 1, section 4, has to have a plan for securing the continuance of the operations of the credit institution in a situation in which the credit institution's financial position has significantly weakened (*recovery plan*). The financial position of a credit institution is considered significantly weakened at least if the credit institution is under threat of failing to fulfil the financial requirements imposed for its operation or if the credit institution no longer meets the internal objectives of solvency or liquidity pursuant to the threshold values included in the recovery plan referred to in section 4(1).

The provisions in section 1 shall not apply to the subsidiary credit institution of the parent company of the consolidation group, unless otherwise provided for in section 12.

Section 2

Review of the recovery plan

The credit institution must review the recovery plan at least once a year. The Financial Supervisory Authority may, however, in individual cases demand the credit institution to review its recovery plan more often.

Furthermore, the recovery plan shall be reviewed, if there have been any changes in the credit institution's legal or operational structure, business operations, financial position or operating

environment, provided that such changes may have a significant effect on the viability of the plan or otherwise require the plan to be reviewed.

Section 3

Content of the recovery plan

The Ministry of Finance shall by decree issue further provisions on the information to be included in the recovery plan required for the implementation of Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, hereinafter *the Resolution Directive.*

The Financial Supervisory Authority may in individual cases, for a specific reason, demand for the credit institution to also include other information in its recovery plan than that provided in this section. The Financial Supervisory Authority may also demand the credit institution to include detailed information on the financial agreements which it is privy to in the plan.

Different alternative causes of action for the retention or restoration of the credit institution's economic operational preconditions shall be included in the recovery plan. In the recovery plan, a credit institution shall prepare for the possible disruption in the operation of the entire financial system as well as of the credit institution and its consolidation group only. The possible measures for the credit institution to take, if the preconditions for early intervention, provided for in Chapter 11, section 5 a, are met, shall be included in the recovery plan. The recovery plan shall include a description of measures for ensuring implementation of the recovery measures in reasonable time.

In the recovery plan, it cannot be assumed that in order to restore the credit institution's financial position the credit institution will be granted the exceptional public financial assistance referred to in Chapter 1, section 3(24) of the Resolution Act. A clarification shall be included in the recovery plan on how and when the credit institution may in problem situations pursue to be within the scope of the arrangements provided by the Bank of Finland, and what kind of collateral securities it would probably have at its disposal.

In addition to this Act and the provisions provided by virtue thereof, provisions concerning the content and evaluation of the recovery plans can be found in the technical standards referred to in the Resolution Directive, issued by regulation or decision of the European Commission.

Section 4

The threshold values presented in the recovery plan and the implementation thereof

The credit institution must include in the recovery plan unambiguous threshold values and qualitative grounds for evaluation used in the identification of situations in which the plan has to be implemented, in order to secure continuity of the credit institution's operations. The credit institution must introduce arrangements in order to regularly monitor the threshold values and qualitative grounds for assessment in a reliable manner. The threshold value is to be considered as, at least, the institution's aggregate requirement of own funds, referred to in Chapter 10, section 1, to which will be added an amount corresponding to 1.5 per cent of the institution's aggregate risk amount referred to in Article 92(3) of the Capital Requirements Regulation.

The credit institution must take measures according to the recovery plan when the assessment criteria referred to in subsection 1 are fulfilled, unless otherwise provided for in subsection 3.

Notwithstanding the provisions of subsection 2, a credit institution may decide not to take measures pursuant to the recovery plan if, taking into account the circumstances, the credit institution does not deem the measures necessary. A credit institution shall make the decision referred to in this subsection in writing and deliver it without delay to the Financial Supervisory Authority.

Notwithstanding the provisions of subsection 3, the Financial Supervisory Authority may decide upon the use of the powers provided for in Chapter 11 and in Chapter 4 of the Act on the Financial Supervisory Authority.

Section 5

Submission of the recovery plan for inspection

A credit institution shall submit the recovery plan for the inspection of the Financial Supervisory Authority. The Board of Directors of a credit institution, or if the credit institution has a Board of Governors, the latter body must approve the plan prior to its delivery to the Financial Supervisory Authority. A credit institution shall on demand prove to the Financial Supervisory Authority that the plan fulfils the requirements provided for in section 6(1).

The Financial Supervisory Authority shall deliver the recovery plan, as amended, to the office of the Financial Stability Authority referred to in the Act on the Financial Stability Authority.

Section 6

Assessment of the recovery plan

The Financial Supervisory Authority shall, at the latest within six (6) months from receipt of the plan, inspect the recovery plan and, after having heard the EEA supervisory authorities responsible for the supervision of significant branch offices, insofar as it is essential for the branch office, evaluate whether the recovery plan meets the requirements provided for in sections 3 and 4 above and the following requirements:

1) implementation of the plan will with reasonable probability safeguard the economic operational preconditions of the credit institution;

2) the plan or individual alternatives included therein can be, with reasonable probability implemented quickly and efficiently also under difficult financial circumstances, causing as little significant harm to the financial system as possible – also in the case that the other credit institutions implement their recovery plans at the same time.

In assessing the recovery plan, the Financial Supervisory Authority has to take into consideration the credit institution's capital and financial structure in relation to its operational structure and the risks to its operations.

Section 7

Inspection of the recovery plan on demand of the Financial Supervisory Authority

If the Financial Supervisory Authority considers that the recovery plan contains material shortcomings or impediments to implementation, it shall inform the credit institution thereof, and demand the credit institution to submit a revised plan within two (2) months indicating how the shortcomings or impediments have been corrected. The Financial Supervisory Authority may extend the aforesaid time limit by one (1) month. The credit institution shall be heard before demanding for the revised plan.

If the Financial Supervisory Authority considers that the shortcomings or impediments have not been adequately corrected, it can demand the credit institution to make specified changes to the recovery plan within the timetable stipulated by the Financial Supervisory Authority.

If the credit institution has not completed the changes referred to in subsection 2 within the time limit, or the Financial Supervisory Authority considers that the revised plan is inadequate and that the shortcomings and impediments inherent in the plan cannot be rectified by requiring specified changes to be made to the plan, the Financial Supervisory Authority shall set a time limit over the course of which the credit institution shall present how it can amend its business operations in order to correct the shortcomings and impediments of the plan.

The Financial Supervisory Authority may order the credit institution to implement the measures that the Financial Supervisory Authority considers necessary, taking into account the severity of the shortcomings and impediments, and the effect of the measures on the business operations of the credit institution. The Financial Supervisory Authority may order a credit institution to:

1) moderate its risk profile and reduce its liquidity risk;

2) enable the timely reinforcement of the capital base;

3) change the strategy and structure of the institution;

4) change the financial strategy to protect the core business operations and critical operations from disturbances;

5) change the credit institution's decision-making, guidance and supervisory structure.

Section 8

Duty to prepare a recovery plan for the consolidation group

A credit institution, which is the parent company of the consolidation group and which is not a subsidiary of a parent company established in another EEA Member State, shall prepare a recovery plan concerning the entire consolidation group covering all consolidation group companies, unless otherwise provided in section 11.

The necessary measures directed at the parent company of the consolidation group and an individual company belonging thereto shall be presented in the recovery plan for securing the continuance of the operations in a situation where the financial position of the consolidation group or an individual group company has significantly weakened.

Furthermore, arrangements to ensure consistency between measures concerning different companies and significant branches shall be included in the recovery plan of the consolidation group. The arrangements concerning the consolidation group's internal financial assistance, referred to in Chapter 9 a, shall also be included in the plan.

The information provided for in section 3 and the threshold values and qualitative assessment criteria provided for in section 4 shall be included in the consolidation group's recovery plan and in the plans concerning individual subsidiaries.

Any impediments to the implementation of the recovery measures within the consolidation group or in the companies belonging to the consolidation group shall be indicated in the recovery plan of the consolidation group. Any legal and practical impediments to the transfer of their own funds or repayment of debts between the companies belonging to the consolidation group shall be indicated in the recovery plan of the consolidation group.

Section 9

Submission of the consolidation group's recovery plan for inspection

The parent company of the consolidation group shall submit the consolidation group's recovery plan for inspection by the Financial Supervisory Authority. The consolidation group's recovery plan shall always be submitted to the Financial Supervisory Authority, when significant changes have been made thereto. The Board of Directors of the parent company of the consolidation group, or if the company has a Board of Governors, the latter body shall approve the consolidation group's recovery plan prior to its submission to the Financial Supervisory Authority. The parent company of the consolidation group or a credit institution or investment firm belonging to the consolidation group has to, on demand, prove to the Financial Supervisory Authority that the recovery plan of the consolidation group fulfils the requirements provided in section 8.

The Financial Supervisory Authority shall deliver the recovery plan of the consolidation group to:

1) the Financial Stability Authority;

2) the authorities responsible for the supervision and resolution of a foreign subsidiary belonging to the consolidation group established in an EEA Member State;

3) the supervisory authority responsible for the supervision of a significant branch belonging to the consolidation group and established in an EEA Member State, if it is essential for the branch;

4) other supervisory authorities pertinent in the matter and belonging to the supervisory board referred to in section 65 b of the Act on the Financial Supervisory Authority.

Section 10

Assessment of the recovery plan of the consolidation group

After having heard the supervisory authorities referred to in section 9(2)(4), the Financial Supervisory Authority shall, together with the EEA supervisory authorities responsible for the supervision of subsidiaries and with the EEA supervisory authorities responsible for the supervision of significant branches, provided it is essential for the branch, assess whether the recovery plan of the consolidation

group fulfils the requirements provided for in sections 6 and 8. The procedure provided for in section 7 shall be complied with in the assessment and the effects, if any, of the recovery measures on the stability of the financial markets shall be taken into account in all EEA Member States, in which the consolidation group has business operations.

Section 11

Approval of the recovery plan of the consolidation group

The Financial Supervisory Authority shall pursue a joint decision with the EEA supervisory authorities responsible for the supervision of subsidiaries on:

1) whether the recovery plan of the consolidation group fulfils the requirements imposed thereupon;

2) whether a separate recovery plan should be prepared for the company belonging to the consolidation group;

3) the measures referred to in section 7, which concern the parent company of the consolidation group;

4) the measures referred to in section 7, which concern the subsidiaries of the consolidation group.

The joint decision, referred to in subsection 1 above, shall be made within four months from the date on which the Financial Supervisory Authority submitted the recovery plan of the consolidation group to the supervisory authorities referred to in section 10.

If the joint decision has not been made within the time period provided for in subsection 2, the Financial Supervisory Authority shall make a decision, in which it must consider the opinions and reservations expressed by other competent supervisory authorities within the four-month time period. The Financial Supervisory Authority shall deliver the decision to the parent company of the consolidation group and to the other supervisory authorities referred to in subsection 1.

If the joint decision, referred to in subsection 1 above, on matters referred to in subsection 1, paragraph 2 or 4 has not been completed within the time limit provided for in subsection 2, the Financial Supervisory Authority shall make a decision on the preparation of separate recovery plans for the companies within its supervision and on application of the measures referred to in section 7 on the level of the subsidiaries.

If the Financial Supervisory Authority or another EEA supervisory authority, referred to in subsection 1, has submitted the matter, referred to in subsection 1, for resolution by the European Banking Authority pursuant to Article 19 of the European Banking Supervision Regulation, the Financial Supervisory Authority shall postpone its decision referred to in subsections 3 and 4. If the European Banking Authority makes a decision in the matter, the Financial Supervisory Authority shall decide the matter in accordance with the decision of the European Banking Authority. The four-month time period, referred to in subsection 2 above, is the conciliation period referred to in the aforesaid Article. The matter cannot be submitted for resolution by the European Banking Authority after the four (4) month time limit referred to in subsection 2 has expired or after the joint decision has been made in the matter. If the European Banking Authority has not decided the matter within one (1) month from submission of the matter for its resolution, the Financial Supervisory Authority may decide the matter.

In cases referred to in subsection 4, the Financial Supervisory Authority may, instead of making its own decision, come to a joint decision in the matter together with certain supervisory authorities referred to in subsection 1.

Section 12

Assessment of the consolidation group's recovery plan when the Financial Supervisory Authority is the supervisory authority responsible for supervision of the subsidiary

After having received the recovery plan of the consolidation group from the EEA supervisory authority responsible for the supervision of the parent company of the consolidation group, the Financial Supervisory Authority shall pursue a joint decision, on matters referred to in section 11(1), with the other EEA supervisory authorities concerned within four months from the submission of the consolidation group's recovery plan to said authorities by the EEA supervisory authority responsible for the supervision of the consolidation group.

If the joint decision on matters referred to in section11(1)(1) or 11(1)(3) has not been completed within the time limit provided for in subsection 1 of this section and the EEA supervisory authority responsible for supervision of the consolidation group decides the matter, the Financial Supervisory Authority shall apply the decision. The Financial Supervisory Authority may, however, submit the matter for resolution by the European Banking Authority in accordance with Article 19 of the European Banking Supervision Regulation.

If the joint decision on matters referred to in section11(1)(2) or 11(1)(4) has not been completed within the time limit provided for in subsection 1 of this section, the Financial Supervisory Authority shall decide upon a recovery plan concerning a company within its supervision.

If the Financial Supervisory Authority or an EEA supervisory authority has submitted the matter, referred to in subsection 1, for resolution by the European Banking Authority pursuant to Article 19 of the European Banking Supervision Regulation, the Financial Supervisory Authority shall postpone the decision referred to in subsection 3. If the European Banking Authority makes a decision in the matter, the Financial Supervisory Authority shall decide the matter in accordance with the decision of the European Banking Authority. The matter cannot be submitted for resolution by the European Banking Authority after the four (4) month time limit provided for in subsection 1 has expired or after the joint decision has been made in the matter. If the European Banking Authority has not decided the matter within one (1) month from submission of the matter for its resolution, the Financial Supervisory Authority may decide the matter.

In cases referred to in subsection 3, the Financial Supervisory Authority may, instead of its own decision, make a joint decision in the matter with certain EEA supervisory authorities referred to in subsection 1.

Section 13

Simplified obligations

The Financial Supervisory Authority shall, taking into account the objectives and application principles provided for in Chapter 1, section 6 of the Resolution Act as well as the effect of the credit institution's filing for bankruptcy on the operation of the financial markets, other credit institutions and investment firms, to the availability of financing and more extensive effects on the economy, determine the

requirements concerning the recovery plans, which may deviate from the following requirements provided for in this Chapter above:

1) information to be included in the recovery plan;

2) time limits concerning the recovery plan and update thereof;

3) content of information required from the institution pursuant to sections 3 and 8.

The Financial Supervisory Authority shall submit a clarification on the application of this section to the European Banking Authority.

Section 14

Obligations concerning amalgamation

After having heard the office of the Financial Stability Authority, the Financial Supervisory Authority may waive the application of the provisions of this Chapter to a member credit institution of an amalgamation, referred to in the Act on Amalgamation of Deposit Banks, which is, pursuant to Chapter 9, section 1 of this Act, exempt, in full or in part, from the solvency requirements referred to in Article 10 of the Capital Requirements Regulation or which belongs to the protection system of the institutions.

If the institution is exempt pursuant to subsection 1, the provisions of this Chapter shall be applied on a consolidation basis to the central body and to the institutions affiliated in the manner referred to in Article 10 of the Capital Requirements Regulation. The protection system referred to in subsection 1 above shall meet the requirements provided for in this Chapter in cooperation with its exempt member.

The recovery plan of a member credit institution, which is within the supervision referred to in Article 6, paragraph 4 of the SSM Regulation, or which holds a considerable proportion of the financial system, has to be prepared according to the provisions of this Act.

An institution holds a considerable proportion of the financial system, referred to in subsection 3, if:

1) the total value of its assets exceeds EUR 30 billion; or

2) the proportion of its assets exceeds 20 per cent of its home Member State's GDP and the total value of its assets is not below EUR 5 billion.

The Financial Supervisory Authority shall submit a clarification on the application of this section to the European Banking Authority.

PART III

FINANCIAL POSITION

Chapter 9

Risk management

Section 1

Assessment of adequacy of internal capital

The credit institution shall ensure that the amount of its own funds be at all times sufficient to cover the risks to which a credit institution is exposed and risks related to its external operating environment as provided for in this Act and in the Capital Requirements Regulation. A credit institution may not, in the course of its activities, incur a risk that fundamentally endangers the solvency or the liquidity of the credit institution. A credit institution shall have sound, comprehensive and efficient strategies and procedures to assess, monitor and maintain the amount, nature and allocation of its internal capital.

A credit institution shall regularly assess the strategies and procedures referred to in subsection 1 in order to maintain them comprehensive and proportionate with respect to the nature, scope and diversity of the business activities of a credit institution.

The provisions in this Chapter on a credit institution and its risk management shall also apply to the parent company of the credit institution's consolidation group, other undertaking belonging to its consolidation group as well as to risk management of the credit institution's consolidation group.

The Financial Supervisory Authority may on application of a credit institution permit derogation from the application of subsections 1 and 2 to a credit institution belonging to a consolidation group. The permit shall be granted if each undertaking belonging to a consolidation group has been set a sufficient objective of own funds for each area of business of the undertaking, excluding undertakings and areas of business of minor significance for the objectives of consolidated supervision. An additional precondition for the grant of the permit is that the grant of the permit does not jeopardise a credit institution's solvency or supervision thereof.

The provisions of subsections 1 and 2 on a credit institution shall not apply to a credit institution subject to the derogation referred to in Article 10 of the Capital Requirements Regulation. The provisions of subsection 3 on consolidated risk management shall not apply to a consolidation group subject to the derogation referred to in Article 15 of the Capital Requirements Regulation.

Section 2

General requirements set for a risk management system

A credit institution shall have efficient and reliable administrative and control systems, described in writing, for the recognition, management, limiting, monitoring and reporting of current and future risks concerning the credit institution and its activities. These include:

1) clear organisational structure, in which authority and division of responsibilities have been clearly and comprehensively defined;

2) effective risk management reporting procedures;

3) sound internal control, administration and accounting procedures;

4) principles and procedures concerning the remuneration policies which are in harmony with and promote the sound and efficient risk management.

The policies referred to in subsection 1 above shall be comprehensive and proportionate with respect to the nature, scope and diversity of the activities of a credit institution.

Section 3

Tasks of the Board of Directors in risk management

The Board of Directors of a credit institution shall approve the strategies and procedures concerning the risks relating to the credit institution and its activity as well as regularly monitor them. All material risks, risk management guidelines and any changes thereto shall be reported to the Board of Directors.

The Board of Directors of the credit institution shall spend adequate time in handling matters concerning the risks of the credit institution as well as ensure that the credit institution has sufficient powers to take care of the tasks concerning risk management referred to in this Act and the Capital Requirements Regulation.

If the credit institution has a Board of Governors, the Board of Governors shall be responsible for the tasks of the Board of Directors provided for in this Chapter to the extent that it has by the Articles of Association or by-laws been allocated tasks that belong to the Board of Directors.

Section 4

Risk Committee

A credit institution, which is significant for the financial system as referred to in Chapter 10, section 7 or 8, shall have a Risk Committee that consists of Board members and reports to the entire Board of Directors. If the credit institution belongs to a consolidation group or to an amalgamation of deposit banks, which is in the aforesaid manner significant, only the parent company of the consolidation group and the central organisation of the amalgamation of deposit banks must have a Risk Committee. A member of the Risk Committee cannot in an employment relationship participate in the daily management of a credit institution or undertaking, the matters of which belong to the tasks of the Committee. A member of the Risk Committee shall have the necessary expertise with regard to the risk-taking ability and risk strategy of a credit institution.

The Risk Committee shall assist the Board of Directors in matters pertaining to the risk strategy and risk-taking of a credit institution and in supervising that the operative management of a credit institution complies with the risk strategy decided by the Board of Directors. The Risk Committee shall evaluate whether the prices charged for the services tying up capital of the institution are in compliance with the business model and risk strategy of the institution and if this is not the case, prepare a plan to rectify the matter for Board approval.

The Risk Committee shall also assist the Remuneration Committee of the Board of Directors in the creation of sound remuneration policies and estimate whether the remuneration policies encourage to

take into consideration the risks, capital and liquidity requirements of the institution and scheduling of returns and the probability of accrual of return.

If a Risk Committee does not exist, or it is not allocated the tasks mentioned in this section, the Board of Directors or the Board of Governors to the extent that these tasks belong to them in accordance with the Articles of Association or the by-laws shall be responsible for the said tasks.

Section 5

Audit Committee

A credit institution, which is significant for the financial system as referred to in Chapter 10, section 7 or 8, shall have an Audit Committee that consists of Board members and reports to the entire Board of Directors. If the credit institution belongs to a consolidation group or to an amalgamation of deposit banks, which is in the aforesaid manner significant, only the parent company of the consolidation group and the central organisation of the amalgamation of deposit banks must have an Audit Committee. The above provisions shall not apply to a credit institution the shares of which have not been admitted to trading on a regulated market referred to in Chapter 1, section 2(6) of the Act on Trading in Financial Instruments, and which has only issued debt obligations, the aggregate nominal value of which is less than 100 000 000 euros, without publishing the prospectus pursuant to Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.

The Audit Committee shall have sufficient expertise in accounting, bookkeeping, financial reporting and practises concerning financial statements as well as internal audit. A member of the Audit Committee cannot in an employment relationship participate in the daily management of a credit institution, the matters of which belong to the tasks of the Committee. At least one of the Committee members shall be independent of the credit institution and its significant shareholders and have sufficient expertise in accounting or auditing.

The Audit Committee shall assist the Board of Directors at least in monitoring, supervising and preparation of the following matters:

1) financial reporting system;

2) efficiency of internal supervision and audit and risk management systems;

3) audit;

4) independence of the auditor and preparation of selection of auditor.

If an Audit Committee does not exist, or it is not allocated the tasks mentioned in this section, the Board of Directors or the Board of Governors to the extent that these tasks belong to the Board of Governors in accordance with the Articles of Association or the by-laws shall be responsible for the said tasks.

Section 6

Combined Risk and Audit Committee

An undertaking significant for the financial system in another manner than as referred to in Chapter 10, section 7 or 8 with an Audit Committee, may have a Combined Risk and Audit Committee composed of its Board members. The Committee members shall have expertise to handle the tasks of both Committees.

Section 7

Right of access to information on Risk Committee members

The members of the Risk Committee of the Board of Directors shall have sufficient information at their disposal on the risks of a credit institution. The Risk Committee shall determine the content and form of information submitted to it. The Risk Committee shall regularly communicate with the risk supervisory function referred to in section 8. The Committee is entitled to also use external experts, as necessary.

Section 8

Risk supervisory function and other supervisory functions independent of business activities

A credit institution shall have a risk supervisory function, a function supervising compliance with the regulations and internal principles, internal audit and other necessary supervisory functions independent of the activities of a credit institution.

The task of the risk supervisory function is to identify, measure and report the material risks to the Board of Directors. The supervisory function shall actively participate in the preparation of a risk strategy and in the making of all essential decisions concerning risk management as well as take care that the Board of Directors is given the general view of the risks pertaining to the credit institution.

The supervisory functions referred to in this section shall be given adequate administrative position, powers and resources to perform their tasks. If the Board of Directors cannot obtain sufficient information on the material risks of the institution through ordinary reporting processes, the head of the risk supervisory function and other supervisory functions shall have the opportunity to inform the Board directly of matters pertaining to his duties. The persons employed in supervisory functions must be independent of the business units under their supervision. The position of the head of the risk supervisory function shall be full-time. The Board of Directors of a credit institution shall decide upon his release from duties.

A credit institution may deviate from the requirements laid down in this section, which concern the establishment of supervisory functions independent of the business activities as well as the full-time nature of the head of the supervisory functions, if it is justified taking into account the nature, scope and diversity of the activities of a credit institution. The other possible duties of the head of the risk supervisory function shall always be independent from the business activities and cannot otherwise cause a conflict of interests with the duties of the supervisory function.

Section 9

Assessment of credit and counterparty risk by internal evaluation methods

A credit institution shall have sufficient internal methodologies for the assessment of the credit and counterparty risks with regard to the nature, scope and diversity of the activities of a credit institution. The internal methodologies shall not rely solely or mechanically on external credit ratings concerning the counterparty or financial instrument.

A credit institution, which is significant in the manner referred to in Chapter 10, section 7 or 8, shall endeavour to use the internal classification methodologies to calculate the requirement of own funds and to assess at least such substantial credit risks that simultaneously concern a large number of significant counterparties as well as to assess the substantial counterparty risk pertaining to debt financial instruments in the consignment stock, if the counterparty risk concerns a large number of various counterparties.

Section 10

Credit and counterparty risk

The granting of credit is based on sound and well-defined criteria. The principles and procedures concerning the processes for approving, amending, renewing, and re-financing credits shall be clearly established and documented.

A credit institution shall have internal methodologies that enable them to assess the individual credit and counterparty risks. In its internal assessment methodologies it shall not rely solely or mechanically on external credit ratings. Where calculations concerning own funds of a credit institution are based on an external credit rating or on the fact that a credit risk is unrated, a credit institution shall additionally determine the amount of own funds required to be allocated to the said risk.

A credit institution shall administer and monitor the ongoing administration and monitoring of the various credit risk-bearing portfolios and exposures of institutions, is operated through effective systems; It shall have processes for identifying and managing problem credits and for making adequate value adjustment entries and loss reserves thereof. The credit receivables have to be kept adequately de-centralised in accordance with the target market of a credit institution and the credit-granting strategy approved by the Board of Directors of a credit institution.

Section 11

Residual risk

A credit institution shall prepare for the risk management and credit risk mitigation techniques used by it to fail. It shall have documented policies and procedures concerning the residual risk.

Section 12

Concentration risk

A credit institution shall prepare for the realisation of the risk arising from the concentration of risks. It shall have documented policies and procedures concerning the matter. In concentration risk management the counterparties to be taken into account include at the least the counterparties referred

to in Article 2(1) in Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories, the persons with close links to a credit institution referred to in Chapter 15, section 13, counterparties operating in the same line of business or in the same geographical area and producing the same goods. In addition, it shall consider the risk arising from the application of credit risk mitigation techniques as well as large indirect credit risks, such as the collateral concentration of a single collateral issuer.

Section 13

Securitisation risk

A credit institution shall prepare for risks related to the securitisation of funds or debt items. In management of the said risks it needs to be sufficiently ensured that risk assessment and the related decisions are based on the actual value and nature of the risks. It shall have documented policies and procedures concerning securitisation risk management.

A credit institution shall have a plan on the revolving securitisation transactions initiated by it according to which it has sufficient liquidity to take care of contractual and early repayments related to the arrangement.

Section 14

Market risk

A credit institution shall have measures to identify, assess and manage material market risks. It shall have documented policies and procedures concerning market risk management.

It shall adequately prepare for the requirement of liquidity due to the disparity between short and long market positions. A credit institution shall have adequate internal capital to cover the material market risks that are not subject to allocation of own funds.

If a credit institution, which has, in calculating the amount of own funds required for the market position risk in accordance with Part Three, Title IV, Chapter 2 of the Capital Requirements Regulation, netted off their positions in one or more of the equities constituting a stock-index against one or more positions in the stock-index future or other stock-index product shall have adequate internal capital to cover the risk of loss caused by the future's or other derivative financial instrument's value not moving fully in line with that of its constituent equities. A credit institution shall also act in this manner where it holds opposite positions in stock-index futures which are not identical in respect of either their maturity or their composition.

Where using the treatment in Article 345 of the Capital Requirements Regulation, a credit institution shall ensure that it holds sufficient internal capital against the risk of loss which exists between the time of the initial commitment and the following working day.

Section 15

Interest risk concerning financial balance sheet

A credit institution shall have procedures to identify, evaluate and manage the risks related to changes in interest rates that affect the institution's financial balance sheet. It shall have documented policies and procedures concerning interest risk management of financial balance sheet.

Section 16

Operative risk

A credit institution shall have measures to identify, assess and manage operative risks. It shall prepare at least for the realisation of model risk and low-frequency high-severity events. An institution shall clearly describe what it considers as the operative risks. It shall have written policies and procedures for the management of operative risk.

A credit institution shall have adequate, safe and reliable payment, securities and other information systems.

A credit institution shall ensure that contingency and business continuity plans are in place to ensure an institution's ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

Section 17

Liquidity risk

A credit institution shall have effective and reliable strategies and systems for the identification, measurement, management and monitoring of liquidity risk, intra-day risk and risk profile over an appropriate set of time horizons so as to ensure the maintenance of adequate liquidity and liquidity buffers. Liquidity risk management shall be consistent with the liquidity risk pertaining to credit institution's various areas of business, currencies, branches and legal persons belonging to its consolidation group. The liquidity risk and its costs and benefits have to be able to be allocated by adequate mechanisms.

The strategies and systems referred to in subsection 1 above shall be effective and proportionate to the scope and diversity of operation of the institution, risk profile and liquidity risk tolerance set by the Board of Directors of the institution. They shall also be proportionate to the institution's importance in each Member State in which it carries out business. The principles and procedures concerning the strategies and systems shall be documented. The institution shall ensure that the management and personnel of each area of business are familiar with the liquidity risk tolerance of a credit institution.

A credit institution shall have procedures to identify, measure, manage and monitor its financial positions. The procedures shall include material cash flows at the time of review and in the future from assets, debts, off-balance sheet items, conditional commitments as well as the possible effects of realisation of the risk to good reputation.

A credit institution shall distinguish between the assets that are pledged or otherwise lodged as security and the unencumbered assets, which are available to cover the liabilities of a credit institution. It must

also be able to distinguish the legal unit that the assets legally belongs to, the state where the asset item is legally registered or recorded and how quickly the asset can be mobilised to cover the liabilities of a credit institution.

A credit institution, which has been authorised to carry out mortgage banking activities by virtue of section 10 of the Act on Mortgage Banks or applies for such authorisation, shall set a quantitative target for the pro rata share of the mortgage banking activities of all business activities of a credit institution. The target is to be set so that it does not jeopardise the re-financing of the other business activities of a credit institution than the mortgage banking activities.

Section 18

Transfer of assets and debts between business units

A credit institution shall have regard to existing legal and operational limitations to potential transfers of quickly liquidable and unencumbered assets among the different legal units of a credit institution, both within and outside the European Economic Area.

Section 19

Liquidity risk mitigation measures

A credit institution shall endeavour to use a system of limits, liquidity buffers and other methods for decreasing the liquidity risk in order to be able to withstand a range of different stress events and maintain an adequately diversified funding structure and funding sources. The measures used shall be reviewed regularly.

Section 20

Regular review of alternative scenarios concerning liquidity position

A credit institution shall regularly, however, at least annually, consider alternative scenarios on its liquidity position and on risk mitigants and assess the assumptions underlying decisions concerning the funding position.

In reviewing the alternative scenarios a credit institution shall take into consideration in addition to the cash flows of assets and debts on the balance sheet at least the off-balance sheet items and other contingent liabilities related to securitisation special purpose entities and other special purpose entities. The potential impacts of the various scenarios shall be inspected credit institution-specifically, market-specifically and as a combination of these features. Different time periods and varying degrees of stress events shall be considered.

A credit institution shall adapt its strategies, policies and liquidity limits as well as the liquidity recovery plans to the outcome of the various scenarios.

Section 21

Recovery plan pertaining to decrease in liquidity

A credit institution shall have in place liquidity recovery plans in order to address possible liquidity shortfalls, such as a liquidity crisis of a branch established in another Member State. Adequate strategies

and implementation measures approved by operative management shall be included in the recovery plan according to which the plan can be implemented immediately. These shall include at least holding assets suitable for central bank collateral where necessary in the currency of another Member State, or the currency of a third country or are located in a third country.

A credit institution shall test its recovery plan and if necessary update it at least annually by virtue of the realisation scenarios and changes thereto referred to in section 20.

Section 22

Risk of excessive leverage

A credit institution shall have processes in place for the identification, management and monitoring of the risk of excessive leverage. Indicators for the risk of excessive leverage shall include the leverage ratio determined in accordance with Article 429 of the Capital Requirements Regulation and mismatches between funds and liabilities. It shall have documented policies and procedures concerning management of the risk of excessive leverage.

A credit institution shall address the risk of excessive leverage in a precautionary manner by taking due account of potential increases in the risk of excessive leverage caused by reductions of the institution's own funds through expected or realised losses.

Section 23

Informing the Financial Supervisory Authority of the calculations and methods

A credit institution which has received a permission pursuant to the Capital Requirements Regulation to use the internal classification methods to calculate risk-adjusted liabilities or the requirement of own funds, shall notify the Financial Supervisory Authority of the results of the calculations on the liabilities or positions in the reference portfolio, exclusive of operative risk, as well as the internal methods used in the calculation regularly, however, at least once a year.

Section 24

Financial Supervisory Authority's power to issue provisions

The Financial Supervisory Authority may issue further provisions on the credit risk assessment methods referred to in section 9(1) and (2), the credit and counterparty risk referred to in section 10, market risk referred to in section 14, operative risk referred to in section 16, liquidity risk referred to in section 17 and the plan referred to in section 21.

Chapter 9 a (19.12.2014/1199

Consolidation group's internal financial assistance

Section 1

Consolidation group's financial assistance agreement

Notwithstanding the restrictions concerning the conclusion of agreements such as this provided for elsewhere in legislation, an institution and companies belonging to its consolidation group can conclude

an agreement on the offer of financial assistance, fulfilling the requirements provided for in this Chapter, to another company belonging to the consolidation group, provided that it fulfils the preconditions for early intervention provided for in Chapter 11, section 5 a.

Notwithstanding the provisions of subsection 1, the institution and a company belonging to its consolidation group shall comply with the provisions of the Capital Requirements Regulation, of any other European Union regulation concerning the stability of institutions and of the Credit Institutions Directive on restriction of mutual business transactions between companies belonging to the consolidation group.

A company, which is party to a financial assistance agreement, and which belongs to the consolidation group, may grant financial assistance to another consolidation group company by granting a loan or a guarantee or lodging a collateral security.

The market-based consideration payable for the arrangement shall be agreed upon in the financial assistance agreement at the time of granting financial assistance or the basis for determining the consideration shall be stated therein. Consideration is determined pursuant to the time when financial assistance is granted. In addition, the financial assistance agreement shall fulfil the following requirements:

1) each party to a financial agreement shall independently decide upon the financial agreement;

2) participation to the financial assistance agreement is in the interests of the company participating thereto;

3) the party to the financial assistance agreement providing financial assistance has the necessary information on the companies receiving assistance at the time of preparation of the financial assistance agreement and prior to the granting such assistance;

4) consideration for the financial assistance agreement can be agreed upon between the parties irrespective of whether the consideration is based on information, which the parties shall publish by law;

5) effects of temporary changes in market prices attributable to factors external to the consolidation group need not be taken into account in agreeing upon the basis for determining the consideration for the financial assistance.

Section 2

Approval of the financial assistance agreement of the consolidation group

The Financial Supervisory Authority shall, on application by the parent company of the consolidation group, approve the financial agreement of the consolidation group, provided that the Financial Supervisory Authority is responsible for the consolidated supervision of the institution belonging to the group and the institution is not a subsidiary of a credit institution under the consolidated supervision by the supervisory authority of another EEA Member State. A tentative agreement shall be attached to the application and it shall contain the consolidation group companies which the agreement is intended to concern.

For a joint decision, the Financial Supervisory Authority shall, without delay, communicate the application to the competent authority responsible for the supervision of a subsidiary suggested as a party to the financial assistance agreement.

The Financial Supervisory Authority may forbid the conclusion of the agreement if the tentative agreement does not fulfil the preconditions provided for in this Chapter.

The Financial Supervisory Authority and the other competent authorities shall pursue a joint decision on whether the tentative financial assistance agreement fulfils the terms and conditions provided for in this Chapter within four months from the receipt of the application, referred to in subsection 1, by the Financial Supervisory Authority.

If the Financial Supervisory Authority and the other competent authorities fail to reach a joint decision within the time limit referred to in subsection 4, the Financial Supervisory Authority shall decide the matter. The opinions and reservations expressed by other competent supervisory authorities within the four-month time period shall be taken into account in the decision. The Financial Supervisory Authority shall communicate the decision to other competent authorities.

If a competent authority has, within a time limit referred to in subsection 4, referred the matter to be handled by the European Banking Authority pursuant to Article 19 of the European Banking Supervision Regulation, the Financial Supervisory Authority shall defer its decision, await for the decision of the European Banking Authority, and make its own decision in accordance with the decision of the European Banking Authority.

The matter cannot be referred to be handled by the European Banking Authority after expiry of the time limit referred to in subsection 4 or the making of a joint decision in the matter.

Section 3

Approval of the financial assistance agreement of a subsidiary

If the Financial Supervisory Authority receives notification from another EEA supervisory authority responsible for the consolidated supervision of the institution that a subsidiary registered in Finland and belonging to the consolidation group was suggested as a party to the consolidation group's financial assistance agreement, the Financial Supervisory Authority shall evaluate whether the suggested financial assistance agreement is in accordance with the terms provided for in this Chapter.

If the Financial Supervisory Authority states that the tentative financial assistance agreement, referred to in subsection 1, does not fulfil the requirements provided for in this Act, the Financial Supervisory Authority shall notify its decision to the parent company of the consolidation group and to the other EEA supervisory authority responsible for the consolidated supervision of the institution.

If the Financial Supervisory Authority and the other competent authorities fail to reach a joint decision on the financial assistance agreement of the consolidation group within the time limit referred to in section 2(4), the Financial Supervisory Authority may transfer the tentative financial assistance agreement to be handled by the European Banking Authority within a four-month time limit.

Section 4

Shareholders or unit holders' approval of the financial assistance agreement

A company which is a party to the agreement shall submit the tentative financial assistance agreement as approved by the Financial Supervisory Authority for approval by a general meeting of the shareholders, a general meeting of a co-operative, or a general meeting of the trustees.

The financial assistance agreement shall enter into force when an administrative body, referred to in subsection 1, of a company which is a party to the agreement has approved the agreement and authorised the Board of Directors of the company to make the final decision that the company will provide or receive financial assistance, if necessary, as agreed in the financial assistance agreement and as provided for in this Chapter.

A Board of Directors of a company, which is a party to the financial assistance agreement, shall annually provide the administrative body, referred to in subsection 1, with a report on the agreement and on the implementation of the decisions made, if any, by virtue thereof.

Section 5

The Financial Supervisory Authority's duty of disclosure

The Financial Supervisory Authority shall submit the financial assistance agreements, as amended and approved by it, to the office of the Financial Stability Authority.

Section 6

Conditions for financial assistance

Financial assistance shall fulfil the following conditions:

1) it is estimated to remove the financial difficulties of the company in receipt of said assistance;

2) the purpose for the provision of the assistance is to maintain or restore the solvency or the liquidity of the entire consolidation group or the company belonging thereto, so that it is also in the interests of the company providing the financial assistance;

3) it is provided pursuant to this Act and for consideration;

4) at the time of its granting on the basis of the information available to the Board of Directors of the company it can be justifiably estimated that the company in receipt of the assistance will reimburse the received assistance and pay the consideration agreed thereupon;

5) it does not jeopardize the solvency or liquidity of the company proving the assistance;

6) the company providing the assistance fulfils the statutory requirements provided for its financial position at the time of offering the assistance and after granting of the assistance, unless the Financial Supervisory Authority grants an exemption thereto;

7) granting of the assistance does not impede the possibly required restructuring of operations of the company granting the assistance.

Section 7

Decision on provision and receipt of financial assistance

The Board of Directors of each company that is a party to the financial assistance agreement decides on the provision and receipt of financial assistance for the group in accordance with the approved financial assistance agreement.

The decision concerning the provision of financial assistance shall include the objectives of tentative financial assistance, and meeting the requirements concerning financial assistance provided for in this Chapter shall be specifically proven therein.

The decision concerning the granting of financial assistance shall be notified to the Financial Supervisory Authority or possible other authority responsible for the supervision of the consolidation group, the authority responsible for the supervision of the company receiving financial assistance and the European Banking Authority. The notification shall include the objectives of tentative financial assistance and show that the tentative financial assistance meets the requirements concerning financial assistance provided for in this Chapter. The financial assistance agreement shall be appended to the notification.

The Financial Supervisory Authority has to notify the decision, without delay, to the authorities of another EEA Member State responsible for the supervision of the consolidation group companies and other supervisory authorities belonging to the college of supervisors referred to in section 65 b of the Act on the Financial Supervisory Authority, as well as the authorities belonging to the group's resolution college.

Section 8

The Financial Supervisory Authority's right to oppose the granting of financial assistance

The Financial Supervisory Authority can, within five business days from receiving the notification referred to in section 7, deny or limit the provision of financial assistance, if the requirements for the provision of financial assistance provided for in this Chapter are not met. The Financial Supervisory Authority has to notify its decision concerning the denial or limitation of financial assistance, without delay, to the European Banking Authority, the authorities of another EEA Member State responsible for the supervision of the consolidation group companies, and other supervisory authorities belonging to the college of supervisors referred to in section 65 b of the Act on the Financial Supervisory Authority as well as the authorities belonging to the group's resolution college.

If the Financial Supervisory Authority denies or limits the provision of financial assistance, the Financial Supervisory Authority shall, on demand of the authority responsible for the supervision of the company in receipt of financial assistance, present an evaluation on whether the requirements provided for in Chapter 8 a, section 10 are met by the recovery plan of the consolidation group or, if the recipient company is responsible for preparing a separate recovery plan, the company's recovery plan.

If another EEA supervisory authority has denied or limited the provision of financial assistance to a company under the supervision of the Financial Supervisory Authority, the Financial Supervisory

Authority may submit the matter to be handled by the European Banking Authority within two days from receipt of notice thereof.

The financial assistance cannot be paid before the Financial Supervisory Authority has made the decision referred to in this section or the time limit, referred to in subsection 1 above, for making such a decision has expired.

Section 9

Publication of the financial assistance agreement

The companies that are parties to the financial assistance agreement shall publish the central terms and conditions of the agreement, and the names of the parties thereto, as well as review the information to be published at least once a year in compliance with the provisions in Articles 431—434 of the Capital Requirements Regulation on the publication of information concerning the financial position of the institution.

Chapter 10

Requirements relating to financial position

General requirements concerning the amount of own funds

Section 1

Minimum amount of own funds

A credit institution shall hold own funds and consolidated own funds at least in an amount provided for in the Capital Requirements Regulation and in this Act. The Financial Supervisory Authority can also impose on a credit institution a discretionary capital add-on as provided for in Chapter 11, section 6.

Own funds shall in this Chapter mean own funds referred to in Article 4(1), subparagraph 118 of the Capital Requirements Regulation. The amount of consolidated own funds shall be calculated as provided in the said Regulation.

The total risk exposure shall in this Chapter mean the total risk exposure referred to in Article 92, paragraph 3 of the Capital Requirements Regulation.

Section 2

Minimum capital

The share capital, co-operative share capital or basic capital of a credit institution shall be at least five million euros. The capital shall be fully subscribed at the time of granting authorisation.

The credit institution must continuously have at least the amount of own funds as provided in subsection 1 above, unless otherwise provided by subsection 3.

If the amount of the credit institution's own funds diminishes as a result of a change in a law, decree or authorities' regulation, in derogation from subsection 2 the credit institution shall have at least the

amount of own funds that it had immediately before the entry into force of the law, decree or authorities' regulation, nonetheless, at least one million euros. The credit institution, which this subsection is applied to, shall not distribute funds to shareholders or holders of participations while the amount of own funds is less than the amount provided for in subsection 1.

Capital add-ons

Section 3

Amount of capital add-ons

In addition to the provisions of the Capital Requirements Regulation a credit institution shall have core capital and consolidated core capital in the amount that covers the capital add-ons and consolidated capital add-ons provided for in this Chapter.

The total capital add-on consists of a fixed capital add-on, a variable capital add-on determined on the basis of economic variables as well as a capital add-on of a credit institution significant for the financial system.

The fixed capital add-on is 2.5 per cent of the credit institution's total risk exposure.

The variable capital add-on shall be determined pursuant to the provisions of sections 4—6. The variable capital add-on can be a maximum of 2.5 per cent of the credit institution's total risk exposure.

The capital requirement of a credit institution significant for the financial system shall be determined pursuant to the provisions of sections 7—9. The capital add-on of a credit institution significant for the global financial system can be a maximum of 3.5 per cent and the capital add-on of other credit institution significant for the financial system can be a maximum of 2.0 per cent of the credit institution's total risk exposure.

The provisions of subsections 2—4 shall also apply to a consolidated capital add-on. The provisions of the Capital Requirements Regulation on a credit institution's duty to complete the consolidated minimum capital requirement shall correspondingly apply to credit institutions' duty to complete the consolidated fixed capital requirement and the consolidated variable capital add-on as well as the consolidated capital add-on of a credit institution significant for the financial system referred to in section 8. Provisions on the duty to complete a consolidated capital add-on of a credit institution, referred to in section 7 below, significant for the global financial system, shall be laid down in the said section.

Section 4

Imposition of a variable capital add-on

The Financial Supervisory Authority shall impose the variable capital add-on. The Financial Supervisory Authority shall in co-operation with the Ministry of Finance and the Bank of Finland quarterly estimate whether a variable capital add-on needs to be imposed, the existing requirement amended or kept unaltered. Decision in the matter shall be taken within three (3) calendar months from the end of each quarter.

In addition to the provisions of subsection 1, the Financial Supervisory Authority shall immediately handle a matter concerning the imposition or amendment of a variable capital add-on if the Ministry of Finance or the Bank of Finland so demands, or if the European Systemic Risk Board has issued a recommendation or warning significant for the financial markets in Finland.

Prior to the making of the decision referred to in subsection 1, the Financial Supervisory Authority shall hear the Ministry of Finance, the Ministry of Social Affairs and Health and the Bank of Finland.

The variable capital add-on shall enter into force in twelve (12) months from the making of the decision, unless the Financial Supervisory Authority decides for a specific reason upon an earlier time of entry into force. However, the decision to decrease the variable capital add-on shall enter into force immediately.

The decision referred to in this section shall contain the period of validity of the decision, the aggregate amount of capital add-on and its possible amendment since the previous decision, grounds for the decision, possible specific reasons for the advanced entry into force of an amendment and other necessary information.

The Financial Supervisory Authority shall publish the decision referred to in this section on its website.

Further provisions on the information to be appended to the decision referred to in this section and on the publication of the decision shall be laid down by a Decree of the Ministry of Finance.

The provisions on the right of the ECB to impose a higher variable capital add-on than the capital add-on provided pursuant to this section shall be laid down in the SSM Regulation.

Section 5

Basis for imposing variable capital add-on

The primary basis for imposing a variable capital add-on is a deviation in the long-time development of the ratio between the credit portfolio and GDP.

In addition to the grounds referred to in subsection 1 above, or instead of the said grounds for a specific reason, one or more other factors based on the ratio of the development of the credit institution field and national economy or development of a part thereof may be taken as the basis for imposition of the variable capital add-on.

In addition to the above provisions of this section, in the imposition of the capital add-on the recommendations and warnings issued by the European Systemic Risk Board shall be taken into account insofar as they apply to the financial markets in Finland.

Further provisions on the grounds for imposing a variable capital add-on are laid down by a Decree of the Ministry of Finance.

Section 6

Consideration of foreign items in the imposition of variable capital add-on

If a credit institution has items in several States that are included in the total risk, the total risk exposure shall be calculated separately for each such state and the capital add-on calculated in this manner concerning the share of each state shall be calculated separately for each such share pursuant to the legislation of the said State.

In applying this section, the variable capital add-on of a credit institution is the total amount of the State-specific capital add-ons calculated pursuant to subsection 1.

If a credit institution has items included in the total risk in a state other than an EEA Member State, where no provisions have been laid down on the capital add-on referred to in this section, the capital add-on shall be imposed pursuant to this Act.

Section 7

Capital add-on concerning credit institutions significant for the global financial system

A credit institution significant for the global financial system shall in this section mean a credit institution the insolvency of which may jeopardise the stability of the global financial system.

A credit institution significant for the global financial system shall have the amount of core capital provided for in this section, in addition to the provisions elsewhere, if a credit institution is not within consolidated supervision of a credit institution for which the Financial Supervisory Authority or the supervisory authority of another EEA Member State is responsible.

Other than a credit institution referred to in subsection 2 significant for the global financial system shall have the amount of consolidated core capital provided for in this section, in addition to the provisions elsewhere, if the Financial Supervisory Authority is responsible for the consolidated supervision of a credit institution and a credit institution is not the subsidiary of such a credit institution or holding company, the consolidated supervision of which, on the parent company level, is the responsibility of a supervisory authority of another EEA Member State.

The Financial Supervisory Authority shall divide the credit institutions referred to in subsection 1 into six classes, the capital add-on of which shall be calculated according to the following table as a percentage of the total risk exposure of a credit institution:

Class	Capital add-on
1	1.0%
2	1.5%
3	2.0%
4	2.5%
5	3.0%
6	3.5%

The Financial Supervisory Authority shall publish on its website the principles concerning the application of this section, credit institutions to which this section shall apply as well as the capital add-on applicable to each such credit institution by virtue of this section as a percentage referred to in subsection 4.

Principles applicable to the identification of credit institutions referred to in this section shall be laid down by Regulation of the European Commission.

Section 8

Capital add-on concerning other credit institutions significant for the financial system

Other credit institutions significant for the financial system shall in this section refer to other than a credit institution referred to in section 7, the balance sheet total of which is at minimum a billion euros and the insolvency of which would jeopardise the stability of the financial markets in Finland or in another European Union Member State.

A credit institution, referred to in this section, shall have the amount of core capital provided for in this section, in addition to the provisions elsewhere, if a credit institution is not within the consolidated supervision of a credit institution for which the Financial Supervisory Authority is responsible. (19.12.2014/1199)

A credit institution, referred to in this section, shall have the amount of consolidated core capital provided for in this section, in addition to the provisions elsewhere, if the Financial Supervisory Authority is responsible for the consolidated supervision of the credit institution. (19.12.2014/1199)

The Financial Supervisory Authority shall divide the credit institutions referred to in subsection 1 into five classes, the capital add-on of which shall be calculated according to the following table as a percentage of the total risk exposure of a credit institution:

Class	Capital add-on
1	0%
2	0.5%
3	1.0%
4	1.5%
5	2.0%

The Financial Supervisory Authority shall divide the credit institutions referred to in subsection 1 to one or several classes referred to in subsection 4 by virtue of the following criteria:

1) size of a credit institution measured by its total liabilities or the balance sheet total or consolidated balance sheet total;

2) liabilities of a credit institution and undertakings within its consolidated supervision to other credit institutions and receivables from other credit institutions as well as other immediate connections with the financial system;

3) replaceability of the critical functions of a credit institution and undertakings within its consolidated supervision after the undertaking lost its prerequisites to continue its operation;

4) extent and significance of cross-border operations of a credit institution and undertakings within its consolidated supervision in Finland and in the European Economic Area.

In derogation of the provisions of this section above,

1) if a credit institution is a subsidiary credit institution, referred to in subsection 2 of this section, of a foreign credit institution (*the parent company*) authorised in another EEA Member State comparable to a credit institution referred to in section 7(1) or subsection 1 of this section, and an authority of another EEA Member State is responsible for the consolidated supervision of the parent company, the credit institution's capital add-on pursuant to this section shall be at most one (1) per cent of its total risk exposure or, if the amount calculated in this manner is smaller than an amount equivalent to the consolidated capital add-on, referred to in section 7 or in this section, applicable to the parent company, at most an amount equivalent to the consolidated capital add-on applicable to the parent company;

2) if a credit institution is a subsidiary credit institution, referred to in subsection 3, of a foreign credit institution (*the parent company*), authorised in another EEA Member State and comparable to a credit institution referred to in this section, and an authority of another EEA Member State is responsible for the consolidated supervision of the parent company, the credit institution's consolidated capital add-on pursuant to this section shall be at most one (1) per cent of its consolidated total risk exposure or, if the consolidated capital add-on calculated in this manner is smaller than an amount equivalent to the consolidated capital add-on, referred to in section 7 or in this section, applicable to the parent company, at most an amount equivalent to the consolidated capital add-on applicable to the parent company. (19.12.2014/1199)

The Financial Supervisory Authority shall publish on its Internet-pages the principles concerning the application of this section, credit institutions to which this section shall apply as well as the capital add-on applicable to each such credit institution by virtue of this section as a percentage referred to in subsection 4.

The Financial Supervisory Authority shall annually revise the capital add-on calculated for each credit institution in accordance with this section. If a credit institution exceeds or is below the threshold provided in subsection 1 or the capital requirement of a credit institution referred to in this section is amended, the Financial Supervisory Authority shall decide upon it. If the requirements applicable to the institution are tightened as a result of the decision, the Financial Supervisory Authority shall determine in the decision a period of at least six (6) months during which the institution shall meet the requirements resulting from the decision.

Section 9

Coordination of the capital add-ons of credit institutions significant for the financial system

If the capital add-on referred to in both sections 7 and 8 could be applied to a credit institution, a credit institution must only meet the higher of these requirements.

Section 10

Falling below the capital add-on

In derogation from the provisions of Chapter 11, section 8, a credit institution which does not complete the capital add-on referred to in this Chapter shall be liable to accrue its own funds by limiting the distribution of profits in the manner provided for in subsection 2.

The minimum amount required for the accrual of own funds referred to in subsection 1 above shall be calculated by multiplying the amount of distributable funds by a multiplier according to the following table. If the capital add-on falls below, the pro rata share of the amount it falls below by from the capital add-on determines the multiplier by which distributable funds shall be multiplied in order to determine the minimum amount of accrual of capital. The multiplier is determined as follows:

Pro rata share of the amount fallen below	**Multiplier**
0 - under 25 per cent	0
25 - under 50 per cent	0.2
50 - under 75 per cent	0.4
75 - under 100	0.6

A credit institution referred to in subsection 1 above, shall within five (5) working days, or subject to the consent of the Financial Supervisory Authority within ten (10) working days, from when it noticed that it does not meet the capital add-on, prepare and deliver to the Financial Supervisory Authority a plan referred to in Chapter 11, section 7 on what measures the credit institution intends to take in order to meet the capital add-on.

If a credit institution has not delivered the plan to the Financial Supervisory Authority within the time limit, the Financial Supervisory Authority may impose on a credit institution a capital add-on referred to in Chapter 11, section 6. The capital add-on referred to in this subsection cannot exceed the amount by which a credit institution's own funds referred to in section 1 fall below of the minimum capital requirement under the Capital Requirements Regulation and the capital add-on referred to section 3 as well as the aggregate amount of capital add-on potentially previously imposed by virtue of Chapter 11, section 6.

The Financial Supervisory Authority shall issue further provisions on the duty to accrue capital referred to in subsection 1 and on the notification of important information with regard to its supervision to the Financial Supervisory Authority as well as the requirements set for the content of the plan referred to in subsection 3.

The provisions of this section on own funds and capital add-on shall also apply to consolidated capital add-on and consolidated own funds.

Other requirements relating to financial position

Section 11

Larges exposures to customers

The provisions on notification of large exposures to customers and consolidated large exposures to customers of a credit institution, restrictions concerning the large exposures to customers and consolidated large exposures to customers and the qualitative requirements set for the management of large exposures to customers and consolidated large exposures to customers are laid down in the Capital Requirements Regulation.

Large exposures to customers which can be excluded from exposures to customers by virtue of Article 493, paragraph 3 of the Capital Requirements Regulation, shall be provided for by Decree of the Ministry of Finance.

The exemption referred to in Article 493, paragraph 3(c) of the Capital Requirements Regulation can be applied to large exposure to customers which concerns the parent company of a credit institution or another subsidiary of the parent company, only subject to consent of the Financial Supervisory Authority.

Section 12

Publication of information on financial position

A credit institution shall publish information concerning its financial position as provided in Part Eight of the Capital Requirements Regulation.

In addition to the provisions of subsection 1, a credit institution shall, unless provisions on similar obligation are laid down elsewhere in law, notify in connection with its annual accounts for each foreign state in which the credit institution or its holding company has a branch or a subsidiary:

1) the host Member State of the branch or subsidiary, names of the subsidiaries and the nature of the business operations carried out in the host Member State;

2) the aggregate amount of business profits referred to in paragraph 1;

3) the aggregate amount in man-years of personnel in the business operations referred to in paragraph 1;

4) the aggregate amount of pre-tax profit or loss;

5) the aggregate amount of income tax concerning the financial period;

6) the aggregate amount of public capital subsidy received and the aggregate amount of loans and guarantees issued by public corporations.

If a credit institution or its holding company has at least one branch and one subsidiary or at least two subsidiaries in the host country referred to in subsection 2, from the aggregate amount referred to in subsections 2(2) and 2(4) shall be deducted any significant profits gained and costs incurred from the business transactions between the group companies operating in the host Member State.

In addition to the provisions of subsections 1 and 2, a credit institution shall, unless provisions on the obligation are laid down elsewhere in the law, in its annual report each year inform the profit ratio of the balance sheet.

The Financial Supervisory Authority shall notify the information referred to in subsection 2 to the European Commission without delay on each credit institution referred to in section 8.

Further provisions

Section 13

Financial Supervisory Authority's right to issue provisions

The Financial Supervisory Authority shall issue further provisions on the implementation of sections 4—10 and section 12 of this Chapter.

Chapter 11

Supervision of financial position

Monitoring of financial conditions

Section 1

Duty of disclosure

A credit institution shall disclose to the Financial Supervisory Authority the information concerning the capital add-on provided for in Chapter 10, section 3 quarter-annually, unless otherwise provided on the enhanced supervision referred to in section 3(3) of this Chapter or the expanded duty of disclosure referred to in section 10, paragraph 2. In other respects the provisions on the duty of disclosure are laid down in the Capital Requirements Regulation.

Section 2

Supervision of solvency and liquidity management

The Financial Supervisory Authority shall regularly evaluate whether the credit institution meets the requirements provided for in Chapters 9 and 10 and in the Capital Requirements Regulation. The nature, scope and diversity of the activities of the credit institution as well as the significance of the credit institution with regard to the stability of the financial markets shall be taken into account in the extent and frequency of the evaluation. The credit institutions referred to in section 3(2) shall be evaluated at least annually.

The evaluation shall, in addition to that provided for in subsection 1, contain the following facts:

1) the results of the stress tests carried out by a credit institution, if a credit institution uses internal models to calculate capital add-on for credit risk or market risk;

2) concentration risks of a credit institution and their management, geographic distribution of counterparty risks as well as handing of possible dispersion effects in the management of solvency also

in other respects than as provided for in the Capital Requirements Regulation on restrictions concerning large customer exposure;

3) adequacy of principles relating to the management of the residual risk caused by the use of the credit risk mitigation techniques;

4) the adequacy of the minimum amount of own funds required to meet the risks arising from securitised items as well as the effects of arrangements under which direct or indirect risks directed at such items may have remained with the credit institution;

5) liquidity risks and adequacy of the principles concerning their measuring and management as well as of the financing continuity plan and the potential impact on the stability of the financial system in those EEA Member States in which a credit institution operates;

6) an estimate on whether the trading book has been valued with adequate caution so that a credit institution does not incur significant losses if it has to quickly sell or hedge items belonging to the trading book;

7) an estimate of the total balance sheet risk on the basis of leverage ratio, risk of excessive leverage, systemic risk and other indicators describing the balance sheet risk;

8) business model of a credit institution;

9) principles concerning management of a credit institution and preconditions for Board members and the managing director to be able to perform their tasks.

If the realisation of the interest risk referred to in subsection 2(1) may decrease the own funds or consolidated own funds of a credit institution by more than 20 per cent in a situation in which the interest suddenly changes at least by 2 percentage points, the Financial Supervisory Authority shall request from the credit institution an account of measures which it intends to take due to the interest risk. The Financial Supervisory Authority may issue further orders on how the realisation of the interest risk referred to in this subsection shall be determined.

Taking into account the nature, scope and diversity of the activities of a credit institution, the Financial Supervisory Authority shall in its supervisory activities promote the internal assessment of customer credit rating by a credit institution and the use of internal credit ratings in the solvency management of a credit institution in particular in respect of the counterparty risks connected to credit granting and the special risk connected to traded securities as well as the use of internal procedures in the management of the liquidity of a credit institution.

Section 3

Supervisory programme

The Supervisory Authority shall, at least annually, confirm by a decision a supervisory programme for the credit institutions under its supervision. The programme shall indicate the methods and extent of supervision of each credit institution during the said year. The programme shall also indicate the credit institutions to be subject to enhanced supervision referred to in subsection 3 as well as inspections to be carried out at its foreign branches and subsidiaries.

The Financial Supervisory Authority shall include in the plan referred to in subsection 1:

1) all credit institutions for which the results of the stress tests or the outcome of the evaluation referred to in section 2 has indicated significant risks to the continuity of the activities of a credit institution or in which the law has been violated;

2) all credit institutions that are significant for the stability of the global financial system;

3) any other credit institutions which the Financial Supervisory Authority deems necessary to be included in the plan.

In subsection 1 above *enhanced supervision* shall mean:

1) an increase in the frequency of inspections of a credit institution;

2) placing a representative referred to in section 29 of the Act on the Financial Supervisory Authority to a credit institution or the permanent presence at a credit institution of another representative of the Financial Supervisory Authority;

3) more frequent and detailed regular reporting on the financial position of a credit institution;

4) more frequent review of the strategies and business plans of a credit institution;

5) examination of single risks or risk areas.

Section 4

Stress tests

The Financial Supervisory Authority shall, if necessary, perform stress tests at a credit institution to support the preparation of the evaluation referred to in section 2.

Section 5

Ongoing review of the use of internal procedures

The Financial Supervisory Authority shall review on a regular basis, and at least every 3 years that a credit institution which has been given permission pursuant to the Capital Requirements Regulation for the use of internal procedures for the calculation of the amount of risk-adjusted items or the minimum amount of own funds, meets the requirements for granting the permission and that the procedures are also otherwise adequate and up-to-date, in particular with regard to possible changes in the activities of a credit institution as well as application of internal procedures to the deviation of results from corresponding results of other credit institutions received in the reference portfolio referred to in subsection 3.

If the internal procedures referred to in this section do not meet the requirements of the Capital Requirements Regulation, do not sufficiently cover the risks of the credit institution or the capital add-on calculated pursuant to subsection 3 significantly deviates from the capital add-ons of the other credit institutions calculated in a corresponding manner, the Financial Supervisory Authority may request a credit institution to make the required changes to the procedures or withdraw the permission granted by

it, if a credit institution has not completed the necessary changes to the procedures within the time limit set by the Financial Supervisory Authority. In the application of this section, the Financial Supervisory Authority shall take into account the clarifications made by the European Banking Authority concerning the unification of the use of internal procedures as well as the targets set for the use of the internal procedures.

A credit institution referred to in subsection 1 above shall at least annually calculate the capital add-on in accordance with the internal procedure used by a credit institution on the reference portfolio determined by the European Banking Authority. The results of the calculations pursuant to this section and the methods used in the calculations have to be notified to the Financial Supervisory Authority and the European Banking Authority in the manner determined by them.

The provisions of this section shall not apply to the calculation of the minimum amount of own funds required to cover the operative risk.

Section 5 a (19.12.2014/1199)

General conditions for early intervention

The Financial Supervisory Authority may, under the conditions laid down in sections 6, 9, 10 and 10 a, take supervisory measures pursuant to said sections, if:

1) the Financial Supervisory Authority estimates on the basis of a strain test in accordance with section 4 or has other weighty reasons to presume that, during the next twelve months, a credit institution probably cannot meet the requirements for authorisation or its liabilities; or

2) a credit institution or a company belonging to its consolidation group otherwise violates its obligations provided for in this Act or in the Capital Requirements Regulation.

In addition to the provisions laid down in subsection 1 above, the Financial Supervisory Authority may take said supervisory measures, if a credit institution has stated its need for extraordinary public financial support referred to in Chapter 4, section 1(2)(3) of the Resolution Act.

A credit institution or its parent company shall, without delay, notify the Financial Supervisory Authority and the Financial Stability Authority of fulfilment of the conditions for early intervention provided for in subsection 1, paragraph 1 and in subsection 2.

The Financial Supervisory Authority shall notify the Financial Stability Authority, the Ministry of Finance, the Bank of Finland and the Deposit Guarantee Fund of fulfilment of the conditions referred to in subsection 3 as provided for in subsection 3. In addition, the Financial Supervisory Authority shall notify the Financial Stability Authority of the supervisory actions it takes by virtue of sections 6, 9, 10 or 10 a.

The provisions of subsection 4 shall also apply to an authority comparable to the authority of an EEA Member State, referred to in subsection 4, and a deposit guarantee fund in which a credit institution has the group's parent company or a subsidiary of the parent company or a branch of the credit institution or of another credit institution belonging to its group as well as, provided that an authority other than the aforesaid authority is responsible for the macro-prudential oversight in such other EEA Member State, to such other EEA supervisory authority, provided that the recipient of information is bound by confidentiality equivalent to this Act.

Section 6

Discretionary capital add-on

The Financial Supervisory Authority shall, if the adequacy of the funds of a credit institution in relation to the total risk cannot be sufficiently verified in another appropriate manner, set a higher requirement for a credit institution as the minimum amount of core capital of a credit institution than as is provided for in the Capital Requirements Regulation. The capital requirement laid down in this section can only be set for a maximum of three (3) years at a time.

The Financial Supervisory Authority can set the capital requirement referred to in this section, if:

1) the Financial Supervisory Authority considers on the basis of an evaluation provided in section 2 or another evaluation prepared on pre-confirmed grounds that:

a) the amount of a credit institution's own funds is not sufficient to cover the capital requirement required by the total risk estimated by a credit institution pursuant to Chapter 9, section 1; or

b) a credit institution has evaluated its capital requirement and its capital target based thereon or the amount of own funds required to cover the large customer exposure referred to in the Capital Requirements Regulation in a materially inadequate or erroneous manner; or

2) the conditions in section 5 a (1)(1) are fulfilled. (19.12.2014/1199)

The Financial Supervisory Authority can also impose a capital add-on referred to in this section insofar as a credit institution has balance sheet items or off-balance sheet commitments and a capital requirement has not been imposed on the related risks in Chapter 10 or in the Capital Requirements Regulation or an inadequate capital requirement has been imposed on related risks.

In addition to the provisions of subsection 1, the Financial Supervisory Authority may under the conditions laid down in subsection 1 impose a consolidated capital add-on on a credit institution subject to consolidated supervision on the basis of its consolidated financial position.

In applying this section, the Financial Supervisory Authority shall take into account:

1) qualitative adequacy of the internal capital verification procedures of a credit institution referred to in Chapter 9, section 1, and the targets for the amount of own funds established by a credit institution by virtue of the said section;

2) general adequacy of management, control and risk management systems of a credit institution;

3) potential risks to the stability of the entire financial system resulting from the operation of a credit institution.

Section 7

Duty to increase own funds

If the own funds or consolidated own funds of a credit institution fall below the level laid down in the Capital Requirements Regulation or in this Act, the credit institution or the holding company shall,

without delay, notify the Financial Supervisory Authority thereof and present a plan to meet the requirements concerning the minimum amount of own funds and consolidated own funds as well as undertake measures to implement the plan. After receipt of the notification referred to above or after otherwise learning of the fall of the own funds or consolidated own funds below the required level, the Financial Supervisory Authority shall set a fixed period of time within which the requirement relating to the own funds and consolidated own funds of a credit institution shall be met under the threat of withdrawal of the authorisation. If the requirement is not met even after the expiry of the fixed period of time, the Financial Supervisory Authority may decide on the withdrawal of the authorisation.

If the credit institution is an associated undertaking of a financial and insurance conglomerate referred to in the Act on Financial and Insurance Conglomerates or a subsidiary of the parent company of such conglomerate and the amount of the own funds of the conglomerate falls below the level laid down in section 19 of the said Act, the provisions of subsection 1 shall correspondingly apply to the credit institution. The Financial Supervisory Authority shall, before making the decision referred to in subsection 1, request an opinion thereof from the other relevant supervisory authorities referred to in the said Act.

Section 8

Restrictions on the distribution of profit due to the amount of own funds

If the amount of the own funds or consolidated own funds of a credit institution falls below the capital requirement laid down in the Capital Requirements Regulation or in section 6, the credit institution may not distribute profit or other return on own capital nor use its profit funds to redeem its own shares or to acquire them in another way nor pay result-based bonuses unless the Financial Supervisory Authority, for a special reason, grants an exemption for a fixed period.

Without prejudice to subsection 1, the right to dividend of the shareholder of a financial institution in the form of a limited company belonging to the consolidation group of the credit institution shall be governed by the provisions of Chapter 13, section 7 of the Limited Liability Companies Act.

If the credit institution is an associated undertaking of a financial and insurance conglomerate referred to in the Act on Financial and Insurance Conglomerates or a subsidiary of the parent company of such conglomerate and the amount of the own funds of the conglomerate falls below the minimum level laid down in section 19 of the said Act, the provisions of subsections 1 and 2 of this section shall apply to the credit institution and to the undertaking belonging to its consolidation group. The Financial Supervisory Authority shall, before making the decision referred to in subsection 1, request an opinion thereof from the other relevant supervisory authorities referred to in the said Act.

When the amount of the credit institution's own funds falls below the requirements laid down in Chapter 10, section 3, provisions on the restrictions of use of profit funds are laid down in section 10 of the said Chapter.

Section 9

Additional requirements concerning liquidity

In addition to the provisions of the Capital Requirements Regulation, if liquidity of a credit institution cannot otherwise be adequately verified, the Financial Supervisory Authority shall impose on a credit institution qualitative and quantitative requirements concerning its liquidity, if the Financial

Supervisory Authority considers on the basis of an evaluation referred to in section 2 that the liquidity of a credit institution suffers from deficiencies which jeopardise the credit institution's ability to be liable for its commitments.

The requirement may be imposed for a maximum of three (3) years at a time.

In addition to the provisions of subsection 1, the Financial Supervisory Authority may under the conditions laid down in subsection 1 impose a consolidated liquidity requirement on a credit institution subject to consolidated supervision on the basis of its consolidated financial position.

In applying this section, the Financial Supervisory Authority shall take into account a credit institution's:

1) qualitative adequacy of the management process for internal liquidity;

2) general adequacy of management, control and risk management systems;

3) potential risks to the stability of the entire financial system resulting from the operation.

Section 10 (19.12.2014/1199)

Financial Supervisory Authority's other specific authority in supervision of solvency and liquidity

If the adequacy of own funds or liquidity of a credit institution in relation to the total risk cannot be verified in another appropriate manner, the Financial Supervisory Authority may, in addition to provisions of sections 6—9 and the Act on the Financial Supervisory Authority, taking into account the factors provided for in section 6(5):

1) restrict the total amount of the salaries and remunerations accumulated over the financial period of a credit institution and an undertaking belonging to its consolidation group and based on the financial result of the activities of the undertaking as well as of pensions based on an agreement in proportion to the profit for the financial period of the undertaking; the provisions of this subsection shall not apply to salaries, remunerations and pensions which, upon the entry into force of this Act, are payable on the basis of a valid and binding agreement;

2) require a credit institution to regularly submit information on the financial position of the credit institution, referred to in the Capital Requirements Regulation and this Act, in more detail and more frequently than required in the said Regulation or this Act or the provisions issued by virtue thereof;

3) impose on a credit institution qualitative requirements for the management of its liquidity and quantitative requirements for its liquidity on the basis of the information which the credit institution is responsible for regularly notifying to the Financial Supervisory Authority by virtue of the Capital Requirements Regulation or otherwise;

4) require a credit institution to regularly publish information on its financial position, other than that referred to in the Capital Requirements Regulation, or publish it more frequently than required by said Regulation;

5) obligate a credit institution, within a time limit, to present an evaluation of the reasons as a result of which the credit institution cannot meet the requirements or probably cannot, during the next twelve

months, meet the requirements set for its operation: if the measures according to the recovery plan referred to in Chapter 8 a are not adequate, in the opinion of the Financial Supervisory Authority, to fulfil the requirements within a reasonable time, the Financial Supervisory Authority may obligate the credit institution to present a separate plan for meeting the requirements within the time limit indicated in the plan;

6) obligate a credit institution to convene the general meeting or the meeting of an equivalent administrative body using the highest decision-making power in the credit institution to handle one or several matters as determined by the Financial Supervisory Authority, or if a credit institution has not, within the time limit imposed by the Financial Supervisory Authority, taken the necessary measures to convene the meeting, do so in order to discuss one or several matters determined by the Financial Supervisory Authority, in other respects abiding by all statutory provisions, provisions in the articles of association or by-laws of a credit institution on convening an extraordinary general meeting;

7) obligate a credit institution to prepare a plan on the restructuring of its debts in a manner determined by the Financial Supervisory Authority;

8) obligate a credit institution to change its strategy or its legal or administrative structure in a manner determined by the Financial Supervisory Authority;

9) appoint to the credit institution an attorney referred to in section 29 of the Act on the Financial Supervisory Authority;

10) obligate a credit institution to take other action in accordance with its recovery plan;

11) obligate a credit institution to take the necessary measures pursuant to Chapter 5 of the Resolution Act in order to value the assets and debts of the credit institution.

The provisions of this section on requirements imposed on a credit institution's financial position, as well as on notification and publication of information relating thereto, shall also be applied to requirements imposed on a credit institution's consolidated financial position as well as on the notification and publication of information relating thereto.

The Financial Supervisory Authority shall impose a time limit on a credit institution during which the credit institution shall perform the measures imposed by the Financial Supervisory Authority by virtue of this section.

Section 10 a (19.12.2014/1199)

Placing a credit institution in special administration

If the Financial Supervisory Authority has limited the operations of the credit institution's management by virtue of section 29 of the Act on the Financial Supervisory Authority, the Financial Supervisory Authority may, provided that the requirements provided for in section 5 a are met, and for a maximum of one year at a time, appoint one or several attorneys referred to in section 29 of the Act on the Financial Supervisory Authority to use the authority belonging to the management, if it is necessary for safeguarding the operations of the credit institution. In its operation, the attorney shall comply with the instructions of the Financial Supervisory Authority.

The Financial Supervisory Authority shall specify the extent to which the attorney uses the authority belonging to the management, and publish the name of the attorney and the authority of the attorney with the credit institution, as well as notify for registration the personal data and authority of the attorney in compliance with the provisions on the registration of personal data of a party whose authority the attorney uses.

The Financial Supervisory Authority may at any time decide to cancel the authority of the attorney.

Section 10 b (19.12.2014/1199)

Duty to hear and disclose in relation to supervisory actions

If the Financial Supervisory Authority is responsible for the consolidated supervision of a credit institution the consolidation group of which comprises one or several foreign EEA credit institutions, the Financial Supervisory Authority shall hear in the matter the authority responsible for the supervision of the credit institution's subsidiary credit institution, established in another Member State, and notify the European Banking Authority of the matter prior to taking supervisory action referred to in sections 6, 8—10 or 10 a.

If the Financial Supervisory Authority is responsible for the supervision of a credit institution, which is a subsidiary of a holding company or a credit institution established in another EEA Member State, the Financial Supervisory Authority has to hear in the matter the foreign EEA supervisory authority responsible for the consolidated supervision prior to taking supervisory actions referred to in subsection 1.

The Financial Supervisory Authority shall, after having received a notification from the other EEA supervisory authority on supervisory action, equivalent to the supervisory action referred to in subsection 1 above, concerning a Finnish credit institution's subsidiary credit institution established in another EEA Member State, assess the effect of the supervisory action on the other subsidiaries of the credit institution, and notify the assessment to the EEA supervisory authority responsible for the supervision of the subsidiaries, at the latest within three days from receipt of the notification.

Section 11

Simultaneous application of authority to several credit institutions

If the Financial Supervisory Authority applies section 6 or 9 to one or several credit institutions, the Financial Supervisory Authority may, even without the evaluation referred to in section 2, take the same measures referred to in sections 6, 9 and 10 towards other credit institutions, the business activity and risks of which correspond to the business activities and risks of the first-mentioned credit institutions.

Publicity of supervision and cooperation in supervision

Section 12

Publication of the principles of supervision and the applicable provisions

The Financial Supervisory Authority shall:

1) publish the general principles relating to the making of the evaluation referred to in section 2;

2) keep available to the public information on the provisions of Chapter 10 and this Chapter as well as on provisions issued by virtue thereof as well as on what regulation and application options that comply with European Union legislation are applied in Finland;

3) keep available to the public statistical information on the application of Chapter 10 and this Chapter as well as of the provisions issued by virtue thereof.

Section 13

Joint decision-making in the consolidation group concerning supervisory assessments (19.12.2014/1199**)**

If the Financial Supervisory Authority is in charge of the consolidated supervision of a credit institution whose consolidation group comprises one or several foreign EEA credit institutions, the Financial Supervisory Authority shall, together with the supervisory authority of the home Member State of the foreign EEA credit institution, aim to reach an understanding on the application of sections 2 and 3 to the management of the consolidated solvency of a credit institution. The Financial Supervisory Authority shall request a statement on the matter of the European Banking Authority if any of the authorities referred to in this subsection requests it.

If no understanding is reached on the application of section 2 or 3 within four months from the time when the Financial Supervisory Authority has drafted the evaluation referred to in section 2(1) and communicated it to the authorities referred to in subsection 4 of this section, the Financial Supervisory Authority may alone decide on the application of sections 2 and 3 on the management of the consolidated solvency of the credit institution. The Financial Supervisory Authority shall communicate, without delay, the evaluation referred to in section 2 and the decision on the confirmation of the supervisory programme referred to in section 3 to the authorities referred to in subsection 3. If the Financial Supervisory Authority or any of the other competent authorities referred to in the said subsection, however, prior to the termination of the four-month time limit provided for in this subsection has referred the matter to be handled by the European Banking Authority as provided for in Article 19 of the European Banking Supervision Regulation, the Financial Supervisory Authority shall wait for the decision of the European Banking Authority and take action accordingly.

If a foreign EEA supervisory authority is in charge of the consolidated supervision of a credit institution whose consolidation group comprises a Finnish credit institution, the Financial Supervisory Authority shall, prior to making the evaluation referred to in section 2 or the decision referred to in section 3, hear the foreign EEA supervisory authority referred to above. If the Financial Supervisory Authority or another competent authority in charge of the supervision of an undertaking belonging to the consolidation group has referred the matter to be handled by the European Banking Authority as provided for in Article 19 of the European Banking Supervision Regulation, the Financial Supervisory Authority shall wait for the decision of the European Banking Authority and take action accordingly.

The evaluation or decision referred to in subsections 1 and 3 above shall be made annually in compliance with the provisions of this section or, for a special reason, even more frequently if the foreign EEA supervisory authority referred to in this section so requests.

If a statement has been requested of the European Banking Authority in a case referred to in subsection 1 or in applying subsection 3, the Financial Supervisory Authority shall take the statement into consideration in its decision and, if the decision derogates from the statement significantly, justify the derogation.

Section 13 a (19.12.2014/1199)

Joint decision-making in the consolidation group concerning early intervention actions

If the Financial Supervisory Authority is in charge of the consolidated supervision of a credit institution whose consolidation group comprises one or several foreign EEA credit institutions, the Financial Supervisory Authority shall, together with the supervisory authority of the home Member State of the foreign EEA credit institution, aim to reach an understanding on the application of section 5 a to the parent company of a credit institution. The Financial Supervisory Authority shall request a statement on the matter of the European Banking Authority if any of the authorities referred to in this subsection requests it.

If consensus on the application of section 5 a has not been reached within five days from communication of the decision by the Financial Supervisory Authority to the authorities referred to in section 10 b (1), the Financial Supervisory Authority may decide alone on the application of section 5 a to the parent company of the consolidation group. The Financial Supervisory Authority shall communicate a decision without delay to the authorities referred to in this subsection above. If the Financial Supervisory Authority or another competent supervisory authority referred to in this subsection has, prior to the expiry of the above-mentioned time limit, submitted the matter for resolution by the European Banking Authority pursuant to Article 19 of the European Banking Supervision Regulation, the Financial Supervisory Authority shall postpone its decision, wait for the decision of the European Banking Authority, and make its own decision in accordance with the decision of the European Banking Authority.

If a foreign EEA supervisory authority is in charge of the consolidated supervision of a credit institution whose consolidation group comprises a Finnish credit institution, the Financial Supervisory Authority shall, prior to making a decision concerning the credit institution referred to in subsection 1, hear the foreign EEA supervisory authority referred to above. If the Financial Supervisory Authority or another competent supervisory authority responsible for the supervision of a company belonging to the consolidation group has submitted the matter for resolution by the European Banking Authority pursuant to Article 19 of the European Banking Supervision Regulation, the Financial Supervisory Authority shall defer its decision, await for the decision of the European Banking Authority, and make its own decision in accordance with the decision of the European Banking Authority.

Section 13 b (19.12.2014/1199)

Effect of early intervention on certain contract terms

The provisions of Chapter 12, section 7 of the Resolution Act on the effect of resolution measures to the contract terms referred to therein shall apply to the supervisory measures referred to in section 5 a above.

Section 14

Exchange of information in crises

If the Financial Supervision Authority is in charge of the consolidated supervision of a credit institution and one or several undertakings regulated in another EEA Member State belong to its consolidation group, the Financial Supervision Authority shall notify, without delay, in a crisis referred to in Article 18 of the European Banking Supervision Regulation and comparable situation to the authority of such

other EEA Member State referred to in section 71(1), paragraphs 3 and 11 of the Act on the Financial Supervisory Authority, the information in its possession necessary for the authorities to perform their tasks.

The regulated undertaking referred to in subsection 1 above shall mean an undertaking authorised in another EEA Member State which corresponds to a credit institution referred to in this Act, an investment firm referred to in the Act on Investment Firms, a management company referred to in the Act on Common Funds, an AIFM referred to in the Act on Alternative Investment Fund Managers, an insurance company referred to in the Act on Insurance Companies or a payment institution referred to in the Act on Payment Institutions.

Section 15

Transfer of tasks concerning consolidated supervision to another supervisory authority

The Financial Supervisory Authority may conclude a contract with the supervisory authorities of one or more EEA Member States to the effect that another supervisory authority of an EEA Member State acts as the authority in charge of consolidated supervision and that consolidated supervision shall be governed by the laws of the state in question. The contract referred to in this subsection may be concluded if the parent company of the consolidation group is not a Finnish credit institution.

The Financial Supervisory Authority may conclude a contract with the supervisory authorities of one or more EEA Member States to the effect that the Financial Supervisory Authority acts as the supervisory authority in charge of consolidated supervision in a consolidation group other than that referred to in Chapter 1, section 16 and that the consolidated supervision shall be governed by the laws of Finland. The contract referred to in this subsection may be concluded if at least one Finnish credit institution belongs to the consolidation group.

The contract referred to in subsections 1 and 2 above may be concluded for a weighty reason required by the arrangement of efficient consolidated supervision. The Financial Supervision Authority shall draw up a written supervision document on the contract and it shall be signed by all the authorities in charge of the supervision of the credit institutions and investment firms belonging to the consolidation group referred to in subsection 1 or 2. The Financial Supervision Authority shall notify the parent company of the consolidation group, the European Commission and the European Banking Authority of the supervision document.

Further provisions

Section 16

Financial Supervisory Authority's power to issue provisions

Financial Supervisory Authority shall issue further provisions required by the implementation of the Credit Institution Directive and the Capital Requirements Regulation on the financial preconditions for credit institution activity referred to in Chapters 9 and 10 and the regular duty of disclosure required by their supervision.

Chapter 12

Financial statements, interim report and audit

Section 1

Provisions applicable to the preparation of financial statements

The financial statements of a credit institution shall be prepared and published in accordance with the provisions of this Chapter and the Decree of the Ministry of Finance issued thereunder and the regulations of the Financial Supervision Authority. The credit institutions shall further be governed by the Accounting Act and the provisions issued thereunder to the extent not otherwise provided for in this Act or the Decrees of the Ministry of Finance issued thereunder or elsewhere in the law. To the extent not otherwise provided for hereinafter, a commercial bank and other credit institution in the form of a limited company shall also be governed by the provisions on financial statements of the Limited Liability Companies Act and a co-operative bank as well as other credit institution in the form of a co-operative shall be governed by the provisions on financial statements of the Act on Co-operatives. Chapter 8, section 11 of the Limited Liability Companies Act and Chapter 8, section 11 of the Act on Co-operatives shall not be applied to a credit institution. The provisions of this Chapter on financial statements shall be applied to an entity comprising the documents belonging and attached to the financial statements unless otherwise separately provided for hereinafter.

Chapter 1, section 4(1) of the Accounting Act on the financial period, Chapter 3, section 1(3) on the restriction on the duty to prepare a financing calculation and subsection 4 on an annual report, section 2(2) on the exemption relating to the preparation of the financial statements and section 6 on the time of the preparation of the financial statements, Chapter 4, section 1 on the definition of turnover, section 3 on the definitions of fixed assets and current assets and section 4 on the definitions of inventories and financial assets as well as Chapter 5, section 2 on the entering of claims, financial assets and liabilities in the balance sheet, section 2 a on the valuation and entering in the financial statements of financial instruments, section 4 on the entering of income as profit on the basis of the manufacturing stage and section 6 on the allocation of the purchase price of inventories shall not be applied to the preparation of the financial statements of a credit institution. Nor shall the provisions on the equity capital, financial statements, annual report and group of Chapter 8, section 1(1), sections 3 or 4, section 5(3)(2) or section 6 of the Limited Liability Companies Act or the provisions on the equity capital, financial statements, annual report and group of Chapter 8, section 1(1), sections 3 and 4, section 5(3)(3) or section 6 of the Act on Co-operatives be applied thereto.

The provisions of Chapter 6, section 1(3) of the Accounting Act on the duty to prepare consolidated financial statements of a small undertaking under an accounting obligation, section 2(2) on the financing statement of a group and 2(3) on the annual report of a group, section 7(6) on the division of the depreciation difference and the optional provision of a small group as well as section 9 on the use of the pooling of interests method, Chapter 8, section 9(1) of the Limited Liability Companies Act as well as Chapter 8, section 9(1) of the Act on Co-operatives shall not be applied to the preparation of the consolidated financial statements of a credit institution. Chapter 6, section 4(2) and (3) of the Accounting Act shall be applied to the consolidated financial statements to the extent that the calculation principles and legal provisions referred to therein are applied to a credit institution under subsection 2.

Chapter 3, sections 9 and 11 of the Accounting Act, Chapter 8, section 10 of the Limited Liability Companies Act and Chapter 8, section 10 of the Act on Co-operatives shall not be applied to the registration or other publication of the financial statements of a credit institution or a holding company.

Section 2

Issuing of further provisions, regulations, instructions, opinions and exemptions

Further provisions on the entering in the financial statements of financing instruments and real estate property in other than own use and any changes in its value, the layout for the balance sheet and the profit and loss account, the financing calculation, the information to be given in the notes to the balance sheet, the profit and loss account and the financing calculation and in the annual report, the layouts for the consolidated balance sheet and the consolidated profit and loss account and the consolidated financing calculation, the information to be given in the notes to the consolidated balance sheet, consolidated profit and loss account and consolidated financing calculation as well as on the balance sheet breakdown and the breakdown of the notes to the accounts shall be issued by a Decree of the Ministry of Finance.

The Financial Supervisory Authority may issue further provisions on the preparation of the financial statements of a credit institution. The regulations may restrict the entering of interest and leasing income as income for the financial period, when they are based on claims or financial leasing contracts whose matured interest, amortisations or lease payments have, at the account closing time, remained unpaid for a period of time longer than the period referred to in the regulation of the Financial Supervisory Authority or which, due to the insolvency of the debtor, are likely to remain unpaid. Prior to issuing the regulation, the Financial Supervision Authority shall request an opinion thereon from the Ministry of Finance and the Accounting Board.

If the instruction or opinion issued by the Financial Supervisory Authority on the application to credit institutions of the provisions on financial statements of this Chapter, the Limited Liability Companies Act, the Act on Co-operatives or the Accounting Act as well as of the Decrees issued thereunder is significant with regard to the general application of the Accounting Act or Decree or the Limited Liability Companies Act or the Act on Co-operatives, the Financial Supervisory Authority shall, prior to issuing the instruction or opinion, request an opinion thereon from the Accounting Board referred to in Chapter 8, section 2 of the Accounting Act.

The Financial Supervisory Authority may, on application by a credit institution, for special reasons and for a fixed period of time, grant an exemption from the time of preparation of the financial statements, the keeping of accounting material abroad as well as on the financial period of a domestic subsidiary to be combined to the consolidated financial statements. A precondition for granting the exemption is that it is not in violation of the provisions of the European Union applicable to credit institutions.

Section 3

Financial period

The financial period is a calendar year. Upon the commencement or termination of business activities, the financial period may be shorter or longer than a calendar year, however, not more than 18 months.

Section 4

Time for preparation of the financial statements

The financial statements and the annual report shall be prepared within two months from the end of the financial period.

Section 5

Annual report

The financial statements shall be appended with an annual report providing information on significant issues with regard to the development of the operations of the party liable to keep accounts. The annual report shall include a solvency calculation providing information on the amount of own funds referred to in Chapter 10, sections 1—3 and the minimum own funds of the party liable to keep accounts.

Section 6

Valuation of financial instruments

Claims and derivatives contracts as well as the shares, participations and other financial instruments owned by the party liable to keep accounts and entered as assets in the balance sheet (*financial assets*) shall be entered in the financial statements at their fair value on the balance sheet date unless otherwise provided for in subsections 2—5. Unless otherwise provided for in subsection 4, also liabilities which are held as part of the trading portfolio or which are derivatives contracts shall be valued at fair value on the balance sheet date.

The following items belonging to the financial assets shall, in derogation from subsection 1, be entered in the financial statements at the purchase price or, if the value of the item on the balance sheet date is found to be lower than the purchase price due to a write-down, at the purchase price deducted with the impairment loss:

1) loans and comparable financing agreements not held for trading purposes;

2) debt securities held to maturity;

3) shares and participations in subsidiaries and participating undertakings as well as equity-rated financial assets issued by the party liable to keep accounts;

4) other financial assets specified by the Financial Supervisory Authority, which, in accordance with the International Financial Reporting Standards referred to in Chapter 7 a, section 1 of the Accounting Act, need not be valued at fair value.

Liabilities other than those referred to in subsection 1 shall be entered in the financial statements at nominal value.

In derogation from subsections 1—3, a credit institution may enter in the financial statements also items belonging to the financial assets in accordance with subsection 2(1) and (2) as well as items other than those belonging to debts referred to in subsection 1 at their fair value at the balance sheet date if a

decision on the entering of these items permanently at their fair value is made upon entering this item in the accounts for the first time. A precondition for using the fair value is that:

1) one or more embedded derivatives, which in accounting should otherwise separately be valued at fair value, is connected to such an item;

2) it removes the inconsistency relating to valuation or entries; or

3) it is based on calculations prepared in the risk management of financial assets or liabilities or of a combination thereof and based on the fair value.

Unless otherwise provided for in section 8, the difference between the fair value at the time of the closing of the accounts and the book value in accordance with the previous financial statements of the financial instruments referred to in subsection 1 or, if the financial instrument to be valued at fair value has been purchased during the financial period, the purchase price, shall be entered as income or expenses for the financial period.

If an amount that is more or less than the nominal value of a receivable or debt has been paid or received as capital of the receivable or debt, the receivable or debt shall, in applying subsections 3 and 4, be entered, instead of at nominal value, at the amount paid or received as capital of the receivable or debt when originating. The amount of the difference between the nominal value and the purchase price of such a receivable entered as income or expenses for the financial period shall be allocated and entered as an increase or decrease in the purchase price of the receivable. Correspondingly, the amount of the difference between the nominal value of a debt and the amount of capital received upon its origination entered as expenses or as a deduction of expenses for the financial period shall be allocated and entered in the financial statements as an increase or decrease in the book value of the debt.

Section 7

Fair value reserve

A change in the fair value shall be entered in the fair value reserve included in own capital if:

1) the financial instrument accounted for is a hedging instrument under a system of hedge accounting that allows all or some of the change in value not to be shown in the profit and loss account;

2) the change in value relates to an exchange difference arising on a foreign-currency item that forms part of the net investment of the credit institution in a foreign entity; or if

3) the instruments are financial instruments to be valued at fair value and not held for trading purposes, with the exception of financial derivatives.

The deferred tax liability or tax receivable included in the change in the fair value shall be entered in the balance sheet in compliance with special caution.

The fair value reserve shall be adjusted upon maturity or conveyance of a financial instrument.

Section 8

Valuation of real property not in own use

Real property not in own use included in tangible assets in the balance sheet may be entered in the financial statements at the fair value on the balance sheet date.

A credit institution, which applies subsection 1, shall value all the assets referred to in the subsection in accordance with the subsection.

The difference between the fair value at the time of the closing of the accounts and the book value of the previous financial statements or, if such property has been purchased during the financial period, the purchase price of the property referred to in subsection 1 shall be entered as income or expenses for the financial period.

Only property valued at the purchase price in accordance with Chapter 5, section 5 of the Accounting Act and referred to in subsection 1 may be revalued as referred to in Chapter 5, section 17 of the Accounting Act.

Section 9

Restricted and unrestricted equity capital

Restricted equity capital shall comprise the share capital, co-operative capital or basic capital, additional capital, supplementary share capital, investment share capital, basic fund, reserve fund, premium fund, revaluation reserve, revaluation surplus and fair value reserve. The unrestricted equity capital shall comprise all the other reserves and the profit for the previous financial periods.

Section 10

Consolidated financial statements

A commodity conveyed to the use of the lessee under a financial leasing contract shall be entered in the consolidated financial statements as it would be entered as sold if the group undertaking is the lessor, and as it would be entered as purchased if the group undertaking is the lessee.

The consolidated financial statements shall include a consolidated financing calculation including a report on the acquisition of the assets of the group and on their use during the financial period. In addition, the annual report of the parent company shall include the annual report and solvency information relating to the group.

A subsidiary or a participating undertaking of a group, the balance sheet total of which is less than one per cent of the last adopted balance sheet total of the parent company and less than 10 million euros, may be excluded from the consolidated financial statements. If the aggregate balance sheet total of such subsidiary or associated undertaking of a group and other such subsidiaries and participating undertakings belonging to the group amounts to at least five per cent of the consolidated balance sheet total, it shall, however, be combined to the consolidated financial statements.

If an insurance company or a comparable foreign insurance undertaking belongs to the group of a credit institution or a holding company, the consolidated financial statements may, without prejudice to the

provisions of this Chapter, be prepared as provided for in Chapter 3 of the Act on the Supervision of Financial and Insurance Conglomerates where this is necessary in order to obtain a true and fair view of the result of the operations and the financial position of the group.

Section 11

Publication of the financial statements and the annual report

A credit institution and a holding company shall submit the financial statements and annual report for registration within two months from the adoption of the balance sheet and the profit and loss account. The notification shall be accompanied by a copy of the audit report as well as by a written statement of a member of the Board of Directors or the managing director indicating the date of the adoption of the financial statements and the decision of the general meeting of the shareholders or the meeting of the co-operative, delegates, trustees or the mortgage society regarding the profit and loss of the credit institution.

The credit institution shall keep copies of the documents relating to the credit institution and the holding company or credit institution that is its parent company as referred to in subsection 1, last adopted, available for anyone at the place of business of the credit institution after two weeks have passed from the adoption of the profit and loss account and the balance sheet. The holding company shall also keep copies of the documents relating to it available for inspection at the head office of the holding company. Copies of the documents to be kept available shall be made available to anyone requesting them within two weeks from the request.

Upon request, the parent company shall make available a copy of the financial statements and annual report of a subsidiary which has not been included in the consolidated financial statements unless the financial statements and annual report have been submitted for registration in accordance with the laws of Finland.

With the exception of the authorities, a credit institution and a holding company shall have the right to obtain payment for a copy made available by it in accordance with the grounds applied by a registration authority to a corresponding copy.

The registration authority referred to in subsection 1 shall be the National Board of Patents and Registration. The registration authority shall supervise compliance with the duty to notify referred to in subsection 1. If the duty to notify is neglected, the registration authority may obligate the party liable to sign the financial statements to submit the financial statements to it under the threat of a fine within a period set by it. The decision imposing the conditional fine shall not be subject to appeal.

The duty of a member credit institution of the central organisation of the amalgamation referred to in the Act on Amalgamation of Deposit Banks to keep the combined financial statements of the amalgamation available for inspection shall be governed by the Act on Amalgamation of Deposit Banks.

Section 12

Interim report

For each financial period exceeding six months, a deposit bank shall prepare an interim report covering either the first six months or the first three, six and nine months unless otherwise provided for in

Chapter 7, section 10(1) of the Securities Markets Act. In other respects, the interim report of a deposit bank shall be governed by the provisions of subsections 2 and 3 as well as the provisions of Chapter 7, section 10(2) and (3) of the Securities Markets Act. Unless otherwise provided by this section, the provisions on interim reports shall apply to the interim report of a deposit bank to which the provisions of Chapter 7, section 10 of the Securities Markets Act are applied.

The interim report of a deposit bank shall contain the interim profit and loss account and the interim balance sheet or, if the deposit bank is the parent company of a group, the consolidated profit and loss account and the consolidated balance sheet as well as an account of the result development of the bank or the group as well as of any significant changes in the assets, debts and off-balance sheet commitments as well as the operating environment during the review period, any significant exceptional circumstances affecting the result development, material events that have occurred after the review period as well as of the likely development of the bank or group during the financial period. The information presented in an interim report shall be comparable to the information from the corresponding review period of the previous financial period.

The interim report shall be published within two months from the end of the review period. The publication of the interim report shall, where applicable, be governed by section 11(2) and (4) in addition to the provisions on the publication of an interim report elsewhere in the law.

The duty of the central organisation of the amalgamation of deposit banks to prepare and publish an interim report and an annual statement of the amalgamation shall be governed by the Act on Amalgamation of Deposit Banks.

The interim report of a holding company that is the parent company of a deposit bank shall be governed by the provisions of subsections 1—3. Unless otherwise provided for elsewhere in the law, the provisions of this section shall not be applied to a deposit bank whose parent company publishes an interim report complying with this section.

The Financial Supervisory Authority may issue further regulations, instructions and statements on the preparation of the interim report referred to in this section as well as grant, for a special reason and for a fixed period of time, an exemption from the provisions of this section provided that the exemption does not endanger the position of an investor or depositor. In issuing the orders, instructions and statements as well as in granting the exemptions, the provisions of section 2(2—4) shall be applied, where applicable. The granting of an exemption shall be stated in the interim report.

Section 13

Application of the provisions on audit and auditors

The audit and auditor of a credit institution shall be governed by the Auditing Act (459/2007) and the audit and auditor of a credit institution in the form of a limited company also by the Limited Liability Companies Act and the audit and auditor of a credit institution in the form of a co-operative by the Act on Co-operatives unless otherwise provided hereinafter.

The provisions of section 25(1)(8), Chapter 5 and section 40(2)(1) of the Auditing Act on the auditing and auditor of the entity subject to public trading shall apply to the auditing and auditor of a credit institution.

Section 25(1)(5) of the Auditing Act shall not be applied to an auditor of a credit institution. The auditor shall, however, notify the Financial Supervisory Authority of a credit he has obtained from the credit institution or from an undertaking belonging to the same group with it or of a guarantee, a liability commitment, a collateral or a corresponding benefit granted by it on his behalf.

The provisions of this section on the audit and auditor of a credit institution shall correspondingly be applied to the audit and auditor of a holding company.

Section 14

Qualification of an auditor

At least one of the auditors of a credit institution and holding company shall be a KHT auditor or a KHT firm referred to in section 2, paragraph 2 of the Auditing Act.

Section 15

Duty of the Financial Supervisory Authority to appoint an auditor as well as to order a special audit and to appoint a special auditor

The auditor referred to in section 9 of the Auditing Act, in Chapter 7, section 5 of the Limited Liability Companies Act and in Chapter 7, section 5 of the Act on Co-operatives as well as the special audit referred to in Chapter 7, section 7 of the Limited Liability Companies Act and Chapter 7, section 15 of the Act on Co-operatives and the special auditor referred to in Chapter 7, section 8 of the Limited Liability Companies Act and Chapter 7, section 16 of the Act on Co-operatives shall be determined for the credit institution and its holding company by the Financial Supervisory Authority. In other respects, the provisions of the Auditing Act, the Limited Liability Companies Act and the Act on Co-operatives concerning the appointment of an auditor and special auditor in the aforesaid situations shall apply. The Financial Supervisory Authority shall also appoint for a credit institution and its holding company, an auditor who fulfils the conditions of qualification, if the credit institution or the holding company does not have an auditor, who fulfils the requirements provided in section 14.

The auditor of a credit institution providing investment services shall, for each calendar year, submit and deliver to the Financial Supervisory Authority an opinion to the effect whether the arrangements relating to the depositing of client funds of the credit institution comply with the requirements laid down by virtue of the provisions of Chapter 9, sections 1—4 of the Act on Investment Services and Chapter 9, section 5 of the said Act.

Chapter 13

Guarantee fund cover

Section 1

Membership of a guarantee fund

To safeguard the stable operation of deposit banks, a deposit bank may belong to a guarantee fund.

Section 2

Withdrawal from a guarantee fund

A deposit bank belonging to a guarantee fund may withdraw from the guarantee fund by notifying the Board of Directors of the fund thereof in writing. The withdrawal shall enter into force at the end of the calendar year following the issuing of the notice to withdraw.

If a bank that has withdrawn from the guarantee fund has, during its withdrawal year or during five calendar years immediately preceding it, been granted a subsidy from the guarantee fund, it shall, on demand by the guarantee fund, repay the subsidy to the guarantee fund in the manner provided for in the by-laws of the fund.

Section 3

By-laws of a guarantee fund

The by-laws of a guarantee fund shall state:

1) the name and place of registered office of the fund;

2) the admittance as member of the fund and withdrawal therefrom of a deposit bank;

3) the basis for determining the admission fee and the contribution and the time of payment;

4) the number, retirement age and term of office of the members of the Supervisory Board as well as the constitution of a quorum of the Board and its duties;

5) the number, retirement age and term of office of the members of the Board of Directors as well as the constitution of a quorum of the Board and its duties;

6) the basis for the disposal of the annual surplus of the fund;

7) the financial period of the fund;

8) the number and term of office of the auditors;

9) the manner in which the by-laws shall be amended;

10) on the dissolution of the fund.

The Financial Supervisory Authority shall be informed of the by-laws of a guarantee fund and any amendments thereto in the manner further provided for by the Financial Supervisory Authority.

Section 4

Administration of a guarantee fund

A guarantee fund shall be administered by a Supervisory Board elected by the member deposit banks and a Board of Directors elected by the Supervisory Board.

Section 5

Contribution to a guarantee fund

The Supervisory Board of the guarantee fund may order that a deposit bank belonging to the fund shall pay an annual contribution adequate for the fulfilment of the liabilities of the guarantee fund.

The contribution shall be based on the risks taken by the deposit bank in its operation. The basis for the calculation of the contribution shall be the same for all the banks belonging to the guarantee fund. The basis for the calculation of the contribution may, however, be different with regard to deposit banks of different corporate forms. When determining the basis for the calculation, deposit banks of different corporate forms may not, among themselves, be placed in unequal positions without cause. The total sum of the contributions collected annually for the guarantee fund shall be not more than 0.5 per cent of the aggregate total of the balance sheets last adopted for the banks belonging to the fund.

The Board of Directors of a guarantee fund may exempt a bank from the payment of the contribution for a specified period.

Section 6

Independence of a guarantee fund

A deposit bank belonging to the fund shall not have the right to require that its share of the guarantee fund be appropriated to it or to transfer it to a third party. This share shall not be included in the assets of the bank.

Section 7

Granting of subsidies

Rescue loans or subsidies may be granted from the assets of the guarantee fund subject to the conditions decided by the guarantee fund to a deposit bank belonging to the fund if it has encountered such financial difficulties that the granting of a rescue loan or subsidy is necessary to safeguard its operations. A guarantee fund may also, subject to the conditions decided by it, issue guarantees for the loans raised by a deposit bank belonging to the guarantee fund or subscribe the shares or participations of the bank, a capital loan issued by it or other commitments included in own funds of the bank.

When making the support decisions referred to in subsection 1, the guarantee fund may not put the deposit banks belonging to the fund in unequal positions among themselves without a justifiable cause. Each support decision shall be based on a thorough investigation of the financial status of the bank to be supported.

A guarantee fund may decide to transfer the funds of the guarantee fund to the Government Guarantee Fund to be used for the support measures referred to in section 1 of the Act on the Government Guarantee Fund with respect to a Finnish deposit bank.

If a bank referred to in subsection 1 merges with another bank, a rescue loan, capital loan or subsidy may also be extended to the acquiring bank.

Section 8

Waiver of repayment of a rescue loan

Should the repayment of a rescue loan or capital loan prove unreasonable to the deposit bank which has been granted the loan, the Supervisory Board of the guarantee fund may, on proposal of the Board of Directors, waive the claim for repayment in full or in part. The Supervisory Board of the guarantee fund and the Board of Directors shall, when deciding on the waiver of repayment of a rescue loan or capital loan, comply with the provisions of section 7(2).

If a deposit bank which has been granted a loan from a guarantee fund goes into liquidation or is declared bankrupt, a rescue loan or capital loan may be repaid only from assets remaining after the other commitments of the bank have been met.

Section 9

Borrowing of a guarantee fund

A guarantee fund may not raise a loan for its operations unless the Ministry of Finance grants a permission thereto for a special reason.

Section 10

Investment of the assets of a guarantee fund

The assets of a guarantee fund shall be invested prudently and in a manner safeguarding the liquidity of the fund.

PART IV

CUSTOMER PROTECTION AND PROCEDURES IN CUSTOMER BUSINESS OPERATIONS

Chapter 14 repealed by the Act of 19.12.2014/1199.

Chapter 15

Procedures in customer business activities

Section 1

Good banking practice

In addition to the other provisions of this Act a credit institution shall follow the good banking practice.

Marketing and terms of contract

Section 2

Marketing

In its marketing a credit institution shall provide the customer with all the information on the commodity being marketed that may be of significance when the customer makes decisions concerning the commodity.

A credit institution may not provide false or misleading information in its marketing nor otherwise use a procedure that is unfair from the point of view of the customer or contrary to good practice. A procedure that is unfair from the point of view of the customer or contrary to good practice shall also be governed by Chapter 2 of the Consumer Protection Act (38/1978).

Marketing which does not convey the information necessary from the point of view of the financial security of the customer shall always be deemed unfair.

Section 3

Terms of contract

In its activities a credit institution may not apply a contract term which does not fall within the scope of activities of the credit institution or which is deemed unreasonable to the customer with regard to its contents or the positions or circumstances of the parties. A contract term shall always be deemed unreasonable if the granting of a loan, the validity of an agreement or other contract terms are made dependent on the acquisition or use of goods falling outside the scope of activities of the credit institution to an extent that is inappropriate from the point of view of the customer on the whole or if the right of the customer to conclude contractual relations with another supplier is restricted.

A credit institution shall submit to the Financial Supervisory Authority the terms of standard contracts applied in its activities.

Receipt of deposits

Section 4

Trade name of a deposit bank

The trade name of a deposit bank shall always contain the term "bank" either separately or as part of a compound and it shall indicate the corporate form of the bank.

Section 5

Marketing restriction

In its marketing, a deposit bank may not use information relating to the cover provided by the Deposit Guarantee Fund or other corresponding deposit protection or guarantee fund protection in a manner endangering the stability of the financial markets or the trust of the depositors.

In its marketing, a deposit bank may use only information submitted by the Deposit Guarantee Fund or relating to other corresponding deposit protection or to its own guarantee fund protection.

A deposit bank may not direct a customer to make a deposit in another deposit bank. Nor may such transfer of deposits be arranged in cooperation with another deposit bank or through or assisted by the central organisation of the bank or another corresponding organisation or in another manner.

Section 6

Right of a customer to basic banking services

A deposit bank may refuse to open an ordinary deposit account for a natural person staying legally in an EEA Member State and to grant him the medium meant for the use of the account or to attend to his order relating to payment service only if there are weighty grounds for the refusal. The grounds shall be linked to the customer or his earlier behaviour or to the fact that there evidently is no actual need for a customer relationship. The customer has to be notified of the grounds for the refusal.

The provisions of this section shall not be applied if otherwise provided for in section 18 or in the Act on Detecting and Preventing Money Laundering and Terrorist Financing (503/2008).

Section 7

Deposit agreement

When funds are deposited in a bank, a deposit agreement shall be concluded between the bank and the opener of the account. The identity of the opener of the account shall always be verified and sufficient information on the opener, the account holder and the persons authorised to operate the account shall be entered in the agreement.

If a separate certificate is issued of the deposit, it shall be issued to a specified person and it may be transferred only to a specified person.

Any special term contained in the agreement referred to in subsection 1 shall also be entered on the certificate. Such term may be amended or cancelled only with the consent of the bank, with the exception of the instructions of the account holder concerning persons authorised to operate the account.

Section 8

Account holder under guardianship

A person under guardianship who has attained the age of fifteen may conclude a deposit agreement with a deposit bank in respect of funds which he has the right to dispose of under section 25(1) of the Guardianship Services Act (442/1999) or under other grounds as well as deposit and withdraw funds and otherwise dispose of the deposit. With the consent of the guardianship authorities, the guardian may, however, take charge of the funds deposited if the interests of the person under guardianship so require.

If funds have been deposited in a deposit bank in the name of a person under guardianship who has attained the age of fifteen on condition that only he is authorised to withdraw the funds, the funds

deposited shall be disposed of jointly by the person under guardianship and his guardian. Such a term may, however, be derogated from with the permission of the court.

Section 9

Cessation of the obligation to pay interest

Unless otherwise provided for in the terms of an account, the obligation of the deposit bank to pay interest on the funds deposited shall cease when ten years have lapsed from the end of the calendar year during which the account was last used.

Section 10

Set-off

A deposit bank may not use the funds in the account of or payable to a private customer to set off its counter-claim where the said funds may not be distrained under the law. Prior to set-off, the bank shall ascertain whether the funds can be distrained. The account holder shall be informed of a claim for set-off. A set-off in violation of this subsection shall be null and void.

Where it is not possible without unreasonable efforts to ascertain whether the funds may be distrained, the bank may, however, present a claim for set-off provided that, in conjunction with the notification of the claim for set-off, the bank notifies the account holder in writing of the restriction for set-off laid down in subsection 1 as well as of the cancellation of set-off provided for in this subsection. The set-off shall lapse if, within 14 days of receipt of the notification of the claim for set-off, the account holder proves that the funds may not be distrained. In the absence of other proof as to the date of notification of the claim for set-off, the account holder shall be deemed to have been notified of the claim on the seventh day after the notification of the claim was sent. If the account holder is not provided with the information laid down in this subsection, the set-off shall be null and void.

The provisions of subsection 1 shall not apply to a charge against the funds in an account based on an express authorisation of the account holder. The account holder may withdraw such authorisation at any time. A contract restricting the rights of the account holder under this section shall be null and void.

Lending

Section 11

Maximum loan-to-value ratio

A credit institution is entitled to grant a residential mortgage loan referred to in Chapter 7, section 7, paragraph 4 of the Consumer Protection Act at maximum an amount equivalent to the loan-to-value ratio pursuant to this section. *Loan-to-value ratio* shall in this section mean the loan amount granted in relation to the current value of the collateral security lodged as security for the loan at the time of granting of the loan.

A personal guarantee shall not be taken into account as a security referred to in subsection 1.

The loan amount referred to in subsection 1 above can be at maximum 90 per cent of the current value of the collateral securities at the time of granting of the loan.

In derogation from the provisions of subsection 3 the amount of credit taken out for the purchase of a first home can be at maximum 95 per cent of the current value of the collateral securities at the time of granting of the loan.

The Financial Supervisory Authority may decide to reduce the maximum credit amounts provided for in subsections 3 and 4 above by a maximum of 10 percentage units in order to limit the exceptional increase of risk to financial stability. The Financial Supervisory Authority may also restrict the taking into account of any other collateral security except real security in calculating the loan-to-value ratio, if it is necessary in order to manage the risks referred to in this subsection. The Financial Supervisory Authority shall quarterly decide on the amendment or continuance of validity of a decision made by virtue of this subsection. The Financial Supervisory Authority shall publish on its website the principles it follows in evaluation of the application preconditions of this subsection. The provisions of Chapter 10, section 4 shall be applied to the preparation of a decision referred to this in subsection.

Decision to reduce the maximum credit amount referred to in this section shall enter into force in three months from making the decision or as of a subsequent time determined by the Financial Supervisory Authority.

The Financial Supervisory Authority may issue provisions on the more specific definition of the collateral securities referred to in this section and their current value as well as the special situations in which a credit institution can derogate from the restrictions pursuant to subsections 3 and 4.

Section 12

Re-pledging of collateral

Collateral pledged to a credit institution may not be re-pledged by the credit institution without the permission of the owner.

Section 13

Lending and investment in certain cases

Decisions concerning loans and other comparable financing to be granted to a natural person, an organisation or a foundation belonging to the close circle of a credit institution as well as decisions concerning investments in an undertaking belonging to the close circle or the general terms applicable to such lending and investment shall be approved by the Board of Directors of the credit institution. The provisions of Chapter 5, section 15(3) shall apply to the terms of business transactions referred to in this section other than those of ordinary personnel loans.

The close circle of a credit institution shall comprise:

1) anyone who, on the basis of ownership, an option right or a convertible loan holds or may hold at least 20 per cent of the shares or participations of the credit institution or of the voting rights attached thereto or a corresponding holding or corresponding voting rights in an organisation belonging to the group of the credit institution or exercising dominant influence over the credit institution unless the company subject to the ownership is insignificant with regard to the entire group;

2) a member of the Board of Governors, a member and a deputy member of the Board of Directors, a managing director and his deputy, an auditor, a deputy auditor and an employee of an audit organisation

with main responsibility for the audit as well as a person in a corresponding position in an undertaking referred to in paragraph 1;

3) the minor children and the spouse of a person referred to in paragraph 2 or a person living in conditions resembling marriage with such person;

4) an organisation and foundation where a person referred to in this subsection alone or together with another person exercises the dominant influence referred to in Chapter 1, section 5 of the Accounting Act.

A credit institution shall keep a list of the natural persons, organisations and foundations referred to in subsection 2. The information in the list and any changes therein as well as the decisions or terms referred to in subsection 1 concerning the loans granted to natural persons, organisations and foundations mentioned in the list or investments in an organisation shall be notified to the Financial Supervisory Authority.

The provisions of this section on the granting of a loan shall correspondingly be applied to the granting of a guarantee or the placing of other collateral for the payment of a loan granted by another party.

The Financial Supervisory Authority may issue further provisions on the recording of the decisions referred to in subsection 1 as well as on the keeping of the list referred to in subsection 3 and on notifying the Financial Supervisory Authority of the information referred to in the said subsection. The Financial Supervisory Authority may also issue further provisions as to when a company referred to in subsection 2(1) is deemed insignificant with regard to the entire group.

Banking secrecy and customer due diligence

Section 14

Secrecy obligation

Anyone who, in the capacity of a member or deputy member of a body of a credit institution or an undertaking belonging to the same consolidation group with it or of a consortium of credit institutions or of a representative of a credit institution or of another undertaking operating on behalf of the credit institution or as their employee or agent, in performing his duties, has obtained information on the financial position or private personal circumstances of a customer of the credit institution or an undertaking belonging to the same consolidation group with it or to a conglomerate referred to in the Act of the Supervision of Financial or Insurance Conglomerates or of another person connected with its activities or on a trade or business secret shall be liable to keep it confidential unless the person in whose benefit the secrecy obligation has been provided for consents to its disclosure. Confidential information may not be disclosed to a general meeting of the shareholders, a general meeting of the trustees, a general meeting of a co-operative or a general meeting of the delegates or a general meeting of a mortgage society or to a shareholder or member attending the meeting.

A credit institution and an undertaking belonging to the same consolidation group with it shall be liable to disclose the information referred to in subsection 1 to a prosecuting and pre-trial investigation authority for the investigation of a crime as well as to another authority entitled to this information under the law.

A credit institution may disclose the information referred to in subsection 1 to a stock exchange referred to in the Act on Trading in Financial Instruments if the information is necessary to safeguard its statutory supervisory duty. A credit institution shall have the same right to disclose the information to a market operator corresponding to public trade referred to in Chapter 3, section 1 of the Act on Trading in Financial Instruments and operating in another EEA Member State.

Notwithstanding the provisions of subsection 1, a credit institution may carry on credit reference services as part of its normal business activities.

The provisions of Chapter 7, section 14 of the Act on Co-operatives shall not apply to a credit institution or to an undertaking belonging to the same consolidation group with it.

Section 15

Disclosure of information to an undertaking in the same consolidation group, financial and insurance conglomerate or consortium

A credit institution or an undertaking belonging to the same consolidation group with it shall have the right to disclose the information referred to in section 14 to an organisation belonging to the same group, consolidation group or a financial and insurance conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates for the purpose of customer service and other customer relationship management, marketing as well as for the risk management of the group, consolidation group or financial and insurance conglomerate, provided that the recipient of the information is subject to the secrecy obligation laid down in this Act or a corresponding secrecy obligation. The above provisions of this subsection on the disclosure of information shall not apply to the disclosure of sensitive data referred to in section 11 of the Personal Data Act (523/1999) nor to data based on the registration of payment data between a customer and an undertaking other than one belonging to the conglomerate.

In addition to the provisions of subsection 1, a credit institution and an undertaking belonging to the same consolidation group with it may disclose information in its customer register necessary for marketing as well as customer service and other customer relationship management to an organisation which belongs to the same financial consortium as the credit institution if the recipient of the information is bound by the secrecy obligation laid down in this Act or a corresponding secrecy obligation. The provisions of this subsection on the disclosure of information shall not apply to the disclosure of sensitive data referred to in section 11 of the Personal Data Act.

Notwithstanding the provisions of this section, a credit institution shall have the right to disclose information, necessary for the operations of a consortium, to a consortium of credit institutions referred to in section 14(1) in which the credit institution is a member. The provisions of subsection 2 and this subsection on the consortium of credit institutions shall correspondingly apply to the central banking institutions of savings banks and co-operative banks.

Section 16

Disclosure of information to a registrar engaged in credit reference services

Notwithstanding the provisions of section 14, a credit institution and an undertaking belonging to the same consolidation group shall have the right to disclose to a registrar engaged in credit reference services information necessary for the identification of the valid credit contracts and guarantee

obligations of the customer as well as information on the amount of outstanding credits to be entered in the credit reference register.

Section 17

Disclosure of information for research purposes

A document containing information referred to in section 14 above may be submitted for scientific research purposes if at least 60 years have passed since the document was prepared and the recipient of the document gives a written commitment not to use the document to the detriment of the person whom the document concerns or anyone close to him or to defame them or to violate any other interests for the benefit of which the secrecy obligation has been provided.

Section 18

Customer due diligence

A credit institution and a financial institution belonging to its consolidation group shall know its customers. The credit institution and the financial institution belonging to its consolidation group shall, in addition, where necessary, identify the actual beneficiary of the customer and the person acting on behalf of the customer. The systems referred to in subsection 2 can be utilised in fulfilling the obligation laid down in this subsection.

A credit institution and a financial institution belonging to its consolidation group shall have in place adequate risk management systems to assess the customer-based risks to their operations.

Provisions on customer due diligence are also laid down in the Act on Detecting and Preventing Money Laundering and Terrorist Financing.

The Financial Supervisory Authority can issue further provisions on the customer due diligence procedures referred to in subsection 1 and risk management referred to in subsection 2.

Section 19

Application of conduct of business rules to an undertaking belonging to a consolidation group

The provisions of this Chapter on a credit institution shall correspondingly apply to an undertaking belonging to the same consolidation group as the credit institution.

PART V

ACTIVITY OF A FOREIGN CREDIT INSTITUTION IN FINLAND

Chapter 16

Establishment of a branch of a foreign EEA credit institution in Finland and provision of services

Section 1

Right of a foreign EEA credit institution to establish a branch and provide services

A foreign EEA credit institution may establish a branch in Finland or otherwise provide in Finland services referred to in Chapter 5, section 1 which are within its authorisation.

Section 2

Notification of establishment of a branch

A foreign EEA credit institution may establish a branch in Finland after the supervisory authorities of its Home State have notified the Financial Supervision Authority thereof.

The notification shall include sufficient information on the place of business of the branch intended to be established, its business operations and management as well as information on the persons responsible, one of whom shall be appointed as manager of the branch.

The notification shall also state the services referred to in section 1 of this Chapter, amount of own funds, minimum amount of own funds, and the guarantee scheme protecting the receivables of the depositors and the extent thereof included in the authorisation of the credit institution.

A foreign EEA credit institution shall notify in writing the Financial Supervisory Authority of any changes to the information referred to in subsection 2 at least one (1) month before their implementation. The Financial Supervisory Authority may amend, due to the intended amendments, the provisions and conditions imposed in the notice referred to in section 59 of the Act on the Financial Supervisory Authority.

Section 3

Commencement of activity of a branch

A branch can commence its activity, once the foreign EEA credit institution has received the notification referred to in section 59 of the Act on the Financial Supervisory Authority, or if the Financial Supervisory Authority has not made the notification within the time limit provided for in the said section, once the time limit set for its handling has expired.

Section 4

Restriction and prohibition of operations of a branch

Section 61 of the Act on the Financial Supervisory Authority lays down provisions on the right of the Financial Supervisory Authority to prohibit, entirely or partially, the continuance of the operations of the branch.

Chapter 17

Establishment of a branch of a third-country credit institution and setting up a representative office in Finland

Section 1

Establishment of a branch

A third-country credit institution may from a branch established in Finland provide the services referred to in Chapter 5, section 1 which are included in the authorisation of the branch granted in accordance with section 2.

A third-country credit institution may also have a representative office in Finland.

Section 2

Application for authorisation of a branch

A third-country credit institution which intends to carry on credit institution activity in Finland shall apply for an authorisation of a branch to be established in Finland from the Financial Supervisory Authority. An opinion on the application shall be requested from the Bank of Finland as well as from the Deposit Guarantee Fund, if the credit institution receives deposits, and of the Investors' Compensation Fund, if the credit institution provides investment services.

The application shall be appended with the necessary accounts on the following information regarding the credit institution:

1) ownership;

2) qualifications and trustworthiness of the management;

3) administration and internal control;

4) risk management;

5) solvency and liquidity and their management;

6) domestic legislation and financial supervision.

The application shall also be appended with the necessary accounts on the arrangement of the administration and activities of the branch including the procedures complied with in customer due

diligence and the prevention of money laundering and terrorist financing, the qualifications and trustworthiness of the management of the branch as well as on the funds available to the branch in Finland.

The contact information to be given in an application as well as the accounts to be appended to an application may be further provided for by a Decree of the Ministry of Finance.

Section 3

Granting of an authorisation of a branch

The Financial Supervisory Authority shall grant an authorisation if:

1) the activities of the credit institution do not materially differ from the activities permitted to a Finnish credit institution;

2) the legislation applicable to the third-country credit institution in its Home State corresponds to internationally accepted recommendations relating to financial supervision as well as prevention of criminal abuse of the financial system;

2 a) a branch is entitled, by virtue of legislation of its Home State and its authorisation, to accept deposits from the public, and the deposit guarantee applicable to the depositors of a branch, by virtue of legislation of the Home State of the credit institution, does not materially differ from the deposit guarantee applicable to the depositors of a Finnish deposit bank; (19.12.2014/1199)

3) the solvency, large exposures to customers, liquidity, internal control, risk management systems of the credit institution as well as the suitability and trustworthiness of the owners and the management do not materially differ from the requirements of this Act;

4) the credit institution is also otherwise subject to adequate supervision in its Home State;

5) the credit institution holds funds in Finland at least in the amount provided for in Chapter 18, section 4(2) for the activities carried on by the branch;

6) the administration of the branch is arranged in accordance with sound and prudent business principles;

7) the director of the branch meets the requirements provided for in Chapter 7, section 4;

8) the branch has adequate procedures for customer due diligence as well as for the prevention of money laundering and terrorist financing.

The Financial Supervisory Authority shall submit the decision on the authorisation of a credit institution within six (6) months of the receipt of the application or, if the application has been incomplete, of the submission by the applicant of documents and accounts necessary for deciding the matter. A decision on the authorisation shall, however, always be made within twelve (12) months of receipt of the application.

After hearing the applicant for authorisation, the Financial Supervisory Authority is entitled to impose restrictions and conditions on the authorisation concerning the branch's business that are necessary for

the supervision. The Financial Supervisory Authority may after granting the authorisation on application change the terms and conditions of the authorisation.

If the decision concerning the authorisation has not been issued within the time limit provided in subsection 1, the applicant may appeal. The appeal shall be made and handled in the manner that an appeal concerning the rejection of the application is made and handled. Such an appeal can be made until the decision is issued. The Financial Supervisory Authority shall inform the appeal authority of the issue of the decision, if the decision is given after the appeal. In other respects provisions on the making and handling of appeals are laid down in the Administrative Judicial Procedure Act.

The Financial Supervisory Authority shall notify the grant of authorisation to the European Commission, the European Banking Authority, the European Banking Committee, the Deposit Guarantee Fund and, if the branch provides investment services, the Investors' Compensation Fund.

Section 4

Withdrawal of the authorisation and restriction of activity of a branch

Provisions on the withdrawal of the authorisation and restriction of activity of the branch are laid down in sections 26 and 27 of the Act on the Financial Supervisory Authority. The Financial Supervisory Authority shall also, without delay, withdraw the authorisation of a branch when the authority of the Home State of a third-country credit institution has withdrawn the authorisation of the credit institution.

The withdrawal of the authorisation shall be notified to the European Commission, the European Banking Authority, the European Banking Committee and the Deposit Guarantee Fund as well as to the Investors' Compensation Fund if the third-country credit institution is a member of the Fund.

Section 5

Termination of activity of a branch

When the Financial Supervisory Authority withdraws the authorisation of a branch, the activity of the branch shall be terminated immediately. The provisions elsewhere in the law on the supervision of a branch shall be applied to the supervision of a branch upon the termination of its activity until the notification referred to in subsection 2 has been filed and the deposits of the branch have been paid to the depositors.

A foreign credit institution shall, without delay, after the termination of activity of its branch, notify its creditors and debtors whose claim or debt is based on an agreement mediated by the branch of the manner in which the debtor can attend to its contractual obligations after the termination and the creditor can receive payment for its matured receivable after the termination. The Financial Supervisory Authority may issue further provisions on the procedure referred to in this subsection.

The provisions of this section shall also be applied to the restriction of activity of a branch by virtue of section 4 of this Chapter or section 27 of the Act on the Financial Supervisory Authority.

Section 6

Establishment of a representative office and its activity

If a third-country credit institution intends to establish a representative office in Finland, it shall notify the Financial Supervisory Authority thereof. The notification shall state the address of the place of business of the representative office, the person responsible for the activity of the representative office as well as the nature and scope of the activity. The Financial Supervisory Authority may issue further provisions on the contents of the information referred to in this subsection and the notification procedure.

The representative office may not carry on activities referred to in Chapter 5, section 1.

The representative office may commence its activity after it has filed the notification referred to in subsection 1.

Section 7

Withdrawal of the right to operate a representative office

The Financial Supervisory Authority may prohibit a representative office from continuing its activity in Finland if the notification referred to in section 6 has not been filed or if the information given in the notification is erroneous or defective or if the activity of the representative office has materially violated the provisions relating to the financial markets.

Chapter 18

Special provisions on foreign credit institutions

Section 1

Provision of investment services by a foreign EEA credit institution

Provisions on the application of the Act on Investment Services to a foreign EEA credit institution which provides investment services are laid down in Chapter 1, section 5(1) and (2) of the Act on Investment Services.

Section 2

Provision of investment services by a third-country credit institution

Provisions on the application of the Act on Investment Services to a third-country credit institution which provides investment services are laid down in Chapter 1, section 5(3) of the Act on Investment Services.

Section 3

Membership of a foreign credit institution in the Investors' Compensation Fund

Provisions on the membership of a branch of a foreign credit institution in the Investors' Compensation Fund are laid down in Chapter 11, sections 18—25.

Section 4

Risk management, liquidity and customer-data systems

A foreign credit institution may not, in the course of its activities in Finland, incur a risk that endangers the interests of the depositors of the branch. A branch shall have adequate risk monitoring systems vis-à-vis its operations.

The liquidity of a branch of a foreign credit institution shall be adequately safeguarded vis-à-vis its activities. In addition, a third-country credit institution shall in Finland continuously hold funds at least in the amount of five million euros for the activity of the branch. A credit institution shall ensure that the branch can meet all its payment liabilities in a timely manner. A credit institution shall, on request by the Financial Supervisory Authority, present general principles for the management of liquidity approved by the Board of Directors or a corresponding body of the credit institution. The principles shall also indicate the manner in which the liquidity and the related risks are monitored considering the nature and scope of the business activity of the branch.

The Financial Supervisory Authority shall monitor the liquidity and market risk of a branch of a foreign EEA credit institution in cooperation with the supervisory authorities of the Home State of the institution.

A branch shall have customer-data systems adequate vis-à-vis its activities so that the branch can continuously provide its customers the information on the customer relationship required by the law and the agreement.

A branch of a third-country credit institution shall be governed by the provisions of Chapter 5, sections 10 and 11 on the preconditions for the outsourcing of an activity of a credit institution.

The Financial Supervisory Authority shall issue further provisions on lowering the requirements provided for in subsection 2.

Section 5

Preparedness for exceptional circumstances

The provisions of Chapter 5, sections 16 and 17 on preparedness and reimbursement of the costs resulting therefrom shall correspondingly apply to a branch of a foreign credit institution.

The provisions of subsection 1 shall not apply to a branch of a foreign EEA credit institution to the extent that the branch has, under the legislation of the Home State of the credit institution, ensured attendance to its duties in exceptional circumstances in a manner corresponding to subsection 1 and presented an adequate account thereon to the Financial Supervisory Authority.

Section 6

Marketing and contract terms as well as other procedures

A branch of a foreign credit institution as well as a foreign credit institution which otherwise provides in Finland services referred to in Chapter 5, section 1 shall, unless otherwise provided for in the Act, be governed by the provisions of Chapter 1, section 9 and Chapter 15, sections 1—3 and 5—12.

In applying this Act to a foreign credit institution, a deposit shall also mean such repayable funds received from the public to an account which shall be compensated from a foreign deposit guarantee scheme.

In its marketing, a foreign credit institution shall indicate its name and Home State.

Section 7

Confidentiality and customer due diligence

The confidentiality, the right to disclose information and breach of the secrecy obligation of an employee of a branch of a foreign credit institution and a representative office as well as customer due diligence and attendance to credit reference services by a representative office shall be governed by the provisions of Chapter 15, sections 14—18 and Chapter 21, section 4.

Notwithstanding the provisions of subsection 1, a branch and a representative office shall have the right to give the information for which disclosure has been provided or duly ordered to an authority or an organisation responsible for supervision of the Home State of the credit institution represented by them as well as to the auditor of the credit institution represented by them.

Section 8

Financial statements and complementary information

A branch of a foreign credit institution shall publish the financial statements and consolidated financial statements, the annual report and the consolidated annual report of the group as well as the related auditors' reports. They shall be published in Finnish or Swedish unless the Financial Supervisory Authority, for a special reason, grants permission to publish them in another language.

In addition to the financial statements data, the Bank of Finland shall, for implementing its duty, have the right to obtain information from the branch of a foreign credit institution corresponding to information which it is entitled to obtain from credit institutions authorised in Finland. The right to obtain information of the Financial Supervisory Authority shall be governed by the Act on the Financial Supervisory Authority.

Section 9

Trade register entries

A notification shall be submitted to the Trade Register of a branch of a foreign credit institution. Provisions on the submission of the notification are laid down in the Trade Register Act (129/1979).

Notwithstanding the provisions elsewhere in the law on a trade name, a foreign EEA credit institution may carry on operations in Finland under the same trade name it has in its Home State.

The National Board of Patents and Registrations may require that a distinguishing supplement be added to the trade name if it is not clearly distinguishable from names with a higher priority right or if there is a danger that it may be confused with a trade name or trade mark to which another party has an earlier exclusive right in Finland.

Section 10

Management of a branch of a foreign credit institution

A branch director shall be responsible for the activities of a branch of a foreign credit institution and he shall also represent the credit institution in legal relationships relating to the activities of the branch.

The branch director may not be a legal person or a minor nor a person for whom a guardian has been appointed, whose capacity has been restricted or who is bankrupt. The effects of a ban on business operations on competence shall be governed by the provisions of the Act on Ban on Business Operations (1059/1985).

The branch director of a third-country credit institution shall be governed by the provisions of Chapter 7 on the Managing Director and a member of operative management of a credit institution.

The branch director of a third-country credit institution and the other possible persons authorised to sign the company name shall live in Finland unless the Financial Supervisory Authority grants an exemption therefrom.

Section 11

Notices

A summons or another notice shall be deemed to have been served to the foreign credit institution when it has been served to a person who has the right, alone or together with another person, to represent the credit institution.

If none of the representatives of the foreign credit institution referred to in subsection 1 has been entered in the Trade Register, the notice may be served by conveying the documents to a person in the employment of the credit institution or, if no such person is found, to the police authority of the location of the branch of the credit institution in compliance with the provisions of Chapter 11, section 7(2) - (4) of the Code of Judicial Procedure.

Section 12

Liability for damages of the branch director of a foreign credit institution

The branch director of a foreign credit institution shall be liable to compensate any damage he has caused to a customer of the branch or to another person in his duties either intentionally or negligently by breaching this Act or another regulation concerning the activities of the branch.

Provisions on the adjustment of damages and the distribution of liability between two or more parties liable for damages are laid down in Chapters 2 and 6 of the Tort Liability Act (412/1974).

Section 13

The right of the Financial Supervisory Authority to represent the depositors in a foreign Deposit Guarantee Fund

If a foreign credit institution has failed to pay, in accordance with the deposit agreement, the matured and undisputed claims of a depositor deposited in an account with the branch of a foreign credit institution in Finland, the depositor may notify the Financial Supervisory Authority thereof.

The Financial Supervisory Authority shall, without delay, after receiving the notification referred to in subsection 1 present a claim on the compensation of the deposits to the foreign Deposit Guarantee Fund in question or to another authority responsible for deposit guarantee. The Financial Supervisory Authority shall have the right of action in the Deposit Guarantee Fund or other foreign authority referred to in this subsection on behalf of the depositors referred to in subsection 1.

Chapter 19

Reorganisation and dissolution of a foreign credit institution

Section 1

Definitions

For the purposes of this Chapter:

1) *reorganisation measures* shall mean resolution measures, based on a decision by an authority, referred to in the Resolution Act, or other measures intended to safeguard or restore the financial situation of a foreign credit institution and which can affect third parties' rights towards the credit institution as well as the application and use of resolution instruments and authorisations pursuant to the Resolution Directive. (19.12.2014/1199)

2) *winding-up proceedings* shall mean collective proceedings based on a decision by an authority with the aim of realising the assets of a foreign credit institution under the supervision of the authorities; winding-up proceedings shall also mean proceedings which are terminated by a composition or another corresponding measure;

3) *an administrator* shall mean a person or body appointed by the authorities whose task it is to administer reorganisation measures;

4) *a liquidator* shall mean a person or body appointed by the authorities whose task it is to administer winding-up proceedings.

Section 2

Recognition of a reorganisation measure and winding-up proceedings

The decision to adopt a reorganisation measure or to open winding-up proceedings in a credit institution made in accordance with the legislation of the Home State of a foreign EEA credit institution shall also be applied to a branch of such credit institution established in Finland.

If the Ministry of Finance, the Bank of Finland or the Financial Supervisory Authority deems that a reorganisation measure should be adopted in a branch of a foreign EEA credit institution, they shall inform the supervisory authority of the Home State of the credit institution thereof. The information shall be communicated by the Financial Supervisory Authority.

Section 3

Administrator and liquidator

The appointment of an administrator and a liquidator of a foreign EEA credit institution shall be evidenced by a certified copy of the original decision appointing him or by another certificate issued by an authority of the Home State of the credit institution. A legally valid translation in Finnish or Swedish may be required of the decision or certificate.

The administrator and the liquidator shall be entitled in Finland to exercise all the powers which they are entitled to exercise in the Home State of the foreign EEA credit institution. The administrator and the liquidator shall have the right to use counsel in Finland, appointed in accordance with the legislation of the Home State of the credit institution.

When operating in Finland, the administrator and the liquidator shall comply with the laws of Finland particularly with regard to the realisation of assets and the provision of information to employees thereof.

Section 4

Registration

If the adoption of a reorganisation measure or the opening of winding-up proceedings is entered in a register under the laws of Finland, the registrar shall, on request by the administrator, liquidator or another competent authority or person of the Home State of the foreign EEA credit institution, make an entry in the register regarding the adoption of the reorganisation measure or the opening of winding-up proceedings referred to in section 2 in a credit institution.

Section 5

Application for declaration of bankruptcy

The assets of a third-country credit institution may, in Finland, be surrendered in bankruptcy by the decision of the director of the branch. The credit institution shall notify the Financial Supervisory Authority of the matter prior to submitting the application.

When a creditor applies for declaring a third-country credit institution bankrupt, the court shall notify the Financial Supervisory Authority of the application without delay. The court shall postpone the handling of the matter at most by one month if the Financial Supervisory Authority presents a request thereon within one week from receipt of the notification referred to in this subsection.

Section 6

Provision of information on bankruptcy and the withdrawal of the authorisation within the European Economic Area

The Financial Supervisory Authority shall, without delay, inform the supervisory authorities of the other EEA Member States in which the third-country credit institution has established a branch or in which it offers services of the decision to declare bankrupt referred to in section 5 and the effects of the bankruptcy as well as of the decision to withdraw the authorisation.

The Financial Supervisory Authority and the administrator shall act in sufficient cooperation with the authorities and liquidators in question of the other EEA Member States in which the third-country credit institution has established a branch included in the list published each year in the Official Journal of the European Union.

Section 7

Provisions on the choice of law concerning bankruptcy in the European Economic Area

The provisions of sections 24 a—24 k of the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company shall apply to the choice of laws applicable in the European Economic Area to the bankruptcy referred to in section 5.

Section 8

Temporary interruption of the activities of a branch of a third-country credit institution

The Financial Supervisory Authority may interrupt the activities of a branch of a third-country credit institution authorised to receive deposits for a period of not more than one month if it is evident that the continuance of the activities would seriously endanger the stability of the financial markets, the undisturbed operation of the payment systems or the interests of the creditors. The Financial Supervisory Authority may, for a special reason, decide to continue the interruption no more than one month at a time, however, not longer than until six months have passed from the issue of the decision referred to in this subsection.

The Financial Supervisory Authority shall, without delay, notify of the interruption of activities and the possible effects of the procedure to the supervisory authorities of the other EEA Member States where the credit institution referred to in subsection 1 has established a branch. A notification shall correspondingly be made of the termination of the interruption of activities.

The attorney referred to in section 5 of the Act on the Temporary Interruption of Operations of a Deposit Bank shall, without delay, notify of the termination of activities in the Official Journal of the European Union. Correspondingly, the termination of interruption for another reason than the termination of the time limit set in the decision to interrupt shall be notified. The notification on the opening of the proceedings shall simultaneously state the purpose of the proceedings, the applicable legislation, the appeal period and the competent appeal authority. The interruption of activities shall be in force notwithstanding the publication of the notification.

The interruption of activities shall otherwise, where applicable, be governed by the provisions on the temporary interruption of the operations of a deposit bank in Chapters 1—3, section 11(1) and Chapter 5 of the Act on the Temporary Interruption of the Operations of a Deposit Bank, with the exception of sections 1 and 1 a. The provisions of the said Act on the Ministry of Finance shall correspondingly apply to the Financial Supervisory Authority. Prior to making the decision to interrupt and the withdrawal of interruption, the Financial Supervisory Authority shall, in addition to the provisions of the said Act, hear the Ministry of Finance.

Section 9

Appeal against a decision to temporarily interrupt the activities of a branch of a third-country credit institution

An appeal may be lodged with the Helsinki Administrative Court against the decision to interrupt made by the Financial Supervisory Authority and referred to in section 8 above within 30 days from the publication of the decision in the Official Journal of the European Union. The provisions of section 73(1) and (2) of the Act on the Financial Supervisory Authority shall otherwise be applied to the appeal.

PART VI

SANCTIONS

Chapter 20

Administrative sanctions

Section 1

Penalty

Provisions of section 40(1) of the Act on the Financial Supervisory Authority, for the negligence or breach of which a penalty shall be imposed, include:

1) the provision in Chapter 1, section 9(2) of this Act on the use, in its marketing, of the term "deposit" and the provisions of Chapter 2, section 4 on the use, in its trade name or otherwise in its operations, of the term "bank";

2) the provision in Chapter 5, section 1 of this Act on the business operations allowed to a deposit bank and the provision in section 2 on the business operations allowed to a credit society;

3) the provision in Chapter 5, section 13 of this Act on the acquisition of control in a foreign undertaking;

4) the provisions of Chapter 2, section 3(2) and Chapter 12 of this Act, Chapter 8 of the Limited Liability Companies Act and Chapter 8 of the Act on Co-operatives on the preparation and publication of financial statements, annual report, consolidated financial statements and interim report;

5) provisions of the Limited Liability Companies Act, the Act on Co-operatives and the Savings Bank Act on the issue of the final statement concerning merger, division and liquidation of a credit institution, provisions of Chapter 20 of the Limited Liability Companies Act concerning liquidation and bankruptcy of a credit institution, Chapter 6 of the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company, Chapter 8 of the Savings Bank Act, Chapter 23 of the Act on Co-operatives, Chapter 7 of the Act on Co-operative Banks and Other Credit Institutions in the Form of a Co-operative and Chapter 5 of the Act on Mortgage Societies;

6) provisions of Chapter 5, section 6 of this Act on the financing of the acquisition, and accepting as a pledge, of financial instruments belonging to own funds as well as the decision on limitation of the distribution of funds issued by the Financial Supervisory Authority by virtue of section 30 of the Act on the Financial Supervisory Authority;

7) provision of Chapter 15, section 11 of this Act on the maximum loan-to-value ratio;

8) provision of Chapter 18, section 4(2) of this Act on the obligation of a branch of a third-country credit institution to retain in Finland the amount of funds provided for in the subsection;

9) provisions of the Savings Bank Act on the issue of an equity capital certificate, option certificate, interim certificate and equity capital issue certificate as well as keeping a list of equity capital shares and owners of equity capital shares and their display for public inspection, the provisions of the Act on Co-operatives on keeping the minutes of the meeting of the co-operative or its delegation on display for public inspection as well as keeping a list of members and owners and its display for public inspection as well as the provisions of the Limited Liability Companies Act on keeping the share or shareholder register and their display for public inspection, and keeping the minutes of the general meeting on display for public inspection as well as the provision of Chapter 18, section 2(1) of the Limited Liability Companies Act on notification to the company of a right of redemption and an obligation to redeem.

Provisions and decisions referred to in section 40(1) of the Act on the Financial Supervisory Authority, in addition to the provisions of subsection 1, include:

1) provision of Chapter 2, section 1 of this Act on Credit Institutions activity being subject to authorisation and provision of section 2 on the exclusive right of a credit institution to receive repayable funds as well as a decision, made by virtue of sections 26 and 27 of the Act on the Financial Supervisory Authority, to withdraw authorisation or impose limitations thereupon;

2) provision of Chapter 3, section 1 of this Act on the duty to notify concerning the acquisition and transfer of shares and participations as well as a decision made by virtue of section 32 a of the Act on the Financial Supervisory Authority on the prohibition to acquire an equity holding and the decision made by virtue of section 32 c on the restriction of rights based on the shares and participations;

3) the provisions of Chapter 7, sections 1—5 and 6(1) of this Act on corporate governance, provisions of Chapter 8, sections 3—14 on remuneration and provisions of Chapter 9, sections 2—21 on risk management;

4) the provisions of Chapter 11, section 8 of this Act, Limited Liability Companies Act, the Act on Co-operatives, the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company, the Act on Co-operative Banks and Other Credit Institutions in the Form of a Co-operative, the Savings Bank Act, the Act on Mortgage Societies on the distribution of the funds of a credit institution;

5) the provision of Chapter 15, section 18 of this Act on customer due diligence;

6) the provisions of sections 6—9 and 17—21 on customer due diligence in the Act on Detecting and Preventing Money Laundering and Terrorist Financing, provision of section 10 on retention of customer identification data as well as the provisions of sections 23 and 24 on the duty of disclosure; (19.12.2014/1199)

7) the provisions of Chapter 8 a, sections 1—3, 8 and 9 on the responsibility of a credit institution and the consolidation group to prepare and revise a recovery plan in accordance with sections 3 and 4(1) as well as on the approval of the consolidation group's recovery plan, provision of Chapter 9 a, section 7(3)

on notifying the authorities of an intent to offer financial assistance, and provision of Chapter 11, section 5 a (3) on notification of information to the authorities. (19.12.2014/1100)

A penalty cannot be imposed by virtue of subsection 1, paragraphs 4, 5 and 9 as well as subsection 2, paragraphs 4 and 6 on others except a credit institution and an undertaking belonging to the same consolidation group as well as a person, belonging to the management of the said legal person, contrary to whose duties the act or neglect is.

In addition to the provisions of subsections 1 and 2 of this section, the provisions referred to in section 40(1) of the Act on the Financial Supervisory Authority include violation or neglect of the following provisions of the Capital Requirements Regulation:

1) provision of Article 99, paragraph 1 on notification of demands concerning own funds;

2) provision of Article 101 on notification of information concerning national real estate markets;

3) provision of Article 394, paragraph 1 on notification of large exposure to customers;

4) provisions of Article 395, paragraph 1 and paragraphs 3—8 on restrictions concerning large exposure to customers;

5) provision of Article 405 on transfer of credit risk related to securitised asset;

6) provision of Article 412 on requirement concerning liquidity;

7) provisions of Article 415, paragraphs 1 and 2 on notification of information concerning liquidity;

8) provision of Article 430, paragraph 1 on notification of information concerning the minimum equity ratio;

9) provisions of Article 431, paragraphs 1—3 and Article 451, paragraph 1 on publication requirements.

In addition to the provisions of subsections 1, 2 and 4 of this section, the provisions referred to in section 40(1) of the Act on the Financial Supervisory Authority include the further provisions concerning the provisions referred to in the said subsections and the provisions of the Decrees and decisions of the Commission issued under the Credit Institutions Directive, Resolution Directive and the Capital Requirements Regulation. (19.12.2014/1199)

A penalty can be imposed in addition to or instead of the penalty imposed on a legal person on a person belonging to the management of the said legal person contrary to whose responsibilities the act or neglect provided for in this section is. A precondition for the penalty to be imposed on the said person is that the said person significantly contributed to the act or neglect.

Section 2

Imposition, publication and implementation of administrative penalties

Provisions on the imposition, publication, implementation and handling of the administrative penalties in the Market Court are laid down in Chapter 4 of the Act on the Financial Supervisory Authority.

Chapter 21

Damages and penal provisions

Section 1

Liability for damages

The founder of a credit institution, a member of its Board of Governors or Board of Directors and its managing director shall be liable to compensate any damage or loss he has caused to the credit institution in his duties either intentionally or negligently.

The founder of a credit institution, a member of its Board of Governors or Board of Directors and its managing director shall also be liable to compensate damage or loss he has caused in his duties to a shareholder, member, holder of a participation or basic fund certificate or other person intentionally or negligently through a violation of the Capital Requirements Regulation, Regulations or decisions of the Commission laid down by virtue of Capital Requirements Regulation or the Credit Institution Directive, this Act or a Decree issued by virtue thereof, or a regulation of the Financial Supervisory Authority, the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company, the Savings Bank Act, the Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative, the Act on Mortgage Credit Banks, the Act on Mortgage Societies, the Act on Temporary Interruption of the Operations of a Deposit Bank or the Articles of Association or the by-laws of the credit institution. The compensation liability of an auditor shall be governed by the Auditing Act.

If the damage or loss has been caused by violating the provisions referred to in subsection 2 or a provision of the Articles of Association or the by-laws, the damage or loss shall be deemed to have been caused by negligence unless the person responsible for the action proves that he has acted with care. The same shall apply to damage or loss caused through an act undertaken in favour of a person in the close circle of the credit institution referred to in Chapter 15, section 13.

The shareholder of a credit institution, the trustee of a savings bank as well as a member or a delegate of a co-operative bank shall be liable to compensate any damage or loss that he has caused to the credit institution, a shareholder or member or to the holder of a participation or basic fund certificate or other person either intentionally or negligently by contributing to a violation of the provisions referred to in subsection 2 or of the Articles of Association or the by-laws of the credit institution. Damage or loss caused by an act undertaken in favour of a person in the close circle of a credit institution referred to in Chapter 15, section 13 shall be deemed to have been caused negligently unless a shareholder, trustee or a member or delegate of a co-operative bank proves that he has acted with care.

Provisions on the adjustment of the liability for damages and the distribution of liability between two or more parties liable for damages are laid down in Chapters 2 and 6 of the Tort Liability Act.

The institution of an action for damages on behalf of a credit institution in the form of a limited company, a savings bank or a credit institution in the form of a co-operative shall be governed by the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company, the Savings Bank Act and the Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative.

The provisions of this section shall also be applied to an undertaking belonging to the same consolidation group with the credit institution if the damage or loss has been caused by a violation of this Act or a Decree issued thereunder or a regulation of the Financial Supervisory Authority.

Section 2

Credit institution offence

The person who intentionally or due to gross negligence

1) uses, in its marketing, in violation of the provisions of Chapter 1, section 9(2), the term "deposit" or, in its trade name or otherwise in its operations, in violation of the provisions of Chapter 2, section 4, the term "bank",

2) carries on credit institution activity without an authorisation pursuant to Chapter 2, section 1 or contrary to the decision on withdrawal of the authorisation referred to in section 26 of the Act on the Financial Supervisory Authority or restriction of authorised activities referred to in section 27,

3) accepts from the public funds repayable on demand contrary to the provisions of Chapter 2, section 2 or

4) breaches the provision in Chapter 5, section 1 on the business activities allowed to a deposit bank or the provision in section 2 on the business activities allowed to a credit society;

shall be sentenced, if the act is not of minor significance or unless a more severe penalty for the act is provided elsewhere in the law, for a *credit institution offence* to a fine or to imprisonment for at most one year.

Section 3

Breach of the provisions concerning the distribution of the assets of the credit institution

The person who intentionally

1) distributes the funds of a credit institution or an undertaking belonging to its consolidation group contrary to the provisions of this Act, the Limited Liability Companies Act, the Act on Co-operatives, the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company, the Act on Co-operative Banks and Other Credit Institutions in the Form of a Co-operative, the Savings Bank Act, the Act on Mortgage Societies or the decision of the Financial Supervisory Authority issued by virtue of a law or

2) violates the provisions of Chapter 5, section 6 on the grant of a loan or security or the acceptance of a pledge of own shares, or those of a parent company, participations, capital loans, debenture bonds or comparable commitments,

shall be sentenced, if the act is not of minor significance or unless a more severe penalty for the act is provided elsewhere in the law, for the *violation of the provisions concerning the distribution of the funds of a credit institution* to a fine or to imprisonment for at most one year.

Section 4

Breach of confidentiality

Penalty for the breach of confidentiality provided in Chapter 7, section 6(1), Chapter 15, sections 14 and 17 and Chapter 18, section 7 shall be sentenced according to Chapter 38, sections 1 and 2 of the Criminal Code of Finland, unless a more severe penalty for the act is provided elsewhere in the law.

Chapter 22

Supervisory powers

Section 1

Prohibition and rectification order

The Financial Supervisory Authority may prohibit a party who violates this Act from continuing or repeating the measures contrary to this Act as well as simultaneously oblige the party to cancel, change or rectify the measures if it is to be considered necessary for the realisation of the objectives laid down for the supervision of the financial markets.

Section 2

Conditional fine

The Financial Supervisory Authority may enhance compliance with the prohibition or order referred to in section 1 by a conditional fine. Provisions on a conditional fine are laid down in the Act on Conditional Fines (1113/1990).

TITLE VII

MISCELLANEOUS PROVISIONS

Chapter 23

Entry into force and transitional provisions

Section 1

Entry into force

This Act shall enter into force on 15 August 2014. This Act supersedes the Act on Credit Institutions (121/2007) and the transitional provisions.

A reference elsewhere in the law to the repealed Act on Credit Institutions shall mean a reference to this Act after entry into force of this Act.

Section 2

Transitional provisions on the fixed and variable capital add-on as well as capital add-on of credit institutions significant for the financial system

A credit institution shall fulfil the fixed capital add-on provided for in Chapter 10, section 3(3) as of 1 January 2015.

The Financial Supervisory Authority may impose a variable capital add-on referred to in Chapter 10, section 3(4) at the earliest on 1 January 2015. (19.12.2014/1199)

The provisions in force at the time of entry into force of this Act shall be applied to the deduction from own funds of items referred to in Article 36, paragraph 1, subparagraph i of the Capital Requirements Regulation until 1 January 2016. Thereafter, of the deduction difference calculated according to the Capital Requirements Regulation and of a smaller deduction difference calculated according to the repealed Act on Credit Institutions, 25 per cent has to be taken into account as of 1 January 2016, 50 per cent as of 1 January 2017, 75 per cent as of 1 January 2018 and 100 per cent as of 1 January 2019.

The capital add-on of a globally significant credit institution, provided for in Chapter 10, section 7 above, shall be applied as of 1 January 2016 so that 25 per cent thereof shall be completed as of the said time, 50 per cent as of 1 January 2017, 75 per cent as of 1 January 2018 and 100 per cent as of 1 January 2019. The provisions of Chapter 10, section 8 above on capital add-on of other credit institution significant for the financial system shall be applied as of 1 January 2016.

Section 3

Other transitional provisions

Sections 22—29 and 40—43 of the repealed Act on Credit Institutions shall be applied instead of Chapters 3 and 4 of this Act until the supervisory tasks concerning the said provisions are transferred to the ECB pursuant to Article 33, paragraph 2 or 3 of the SSM Regulation.

Chapter 10, section 12 and Chapter 12 of the Act shall apply as of 1 January 2015. Prior to the provisions in force at the time of entry into force of this Act shall be applied to the financial statements of an institution and information published in connection with the financial statements.

The provisions on the maximum variable remuneration laid down in Chapter 8, section 7(3) and on the decision-making procedure of the general meeting of Chapter 8, section 8 shall be applied to variable remuneration which becomes due or is earned after the entry into force of this Act.

Chapter 15, section 11 of the Act shall be applied as of 1 July 2016.

The regulations issued by the Financial Supervisory Authority by virtue of the repealed Act on Credit Institutions shall remain in force.

HE 39/2014
TaVM 6/2014
EV 62/2014
Directive 2013/36/EU of the European Parliament and of the Council (32013L0036); OJEU No. L 176, 27.6.2013, pp. 338–436

Regulation (EU) No. 575/2013 of the European Parliament and of the Council (32013R0575): OJEU No. L 176, 27.6.2013, pp. 1–337

Entry into force and implementing of changes

19.12.2014/199

This Act shall enter into force on 1 January 2015.

This Act revokes the Deposit Guarantee Fund referred to in Chapter 14, section 1, hereinafter the *old Deposit Guarantee Fund*. At entry into force of this Act, the tasks of the old Deposit Guarantee Fund were transferred to the Deposit Guarantee Fund referred to in Chapter 5 of the Act on the Financial Stability Authority, hereinafter the *Deposit Guarantee Fund*.

After entry into force of this Act, the following shall be applied to the old Deposit Guarantee Fund:

1) provisions of Chapter 1, section 3(1) on the supervision by the Financial Supervisory Authority;

2) provisions of the repealed Chapter 14, section 1(1) on the obligation of the deposit bank to belong to the Fund;

3) provisions of the repealed Chapter 14, section 2(1) on the rules of the Fund and their confirmation;

4) provisions of the repealed Chapter 14, section 3 on the management of the Fund;

5) provisions of the repealed Chapter 14, section 6 on the independence of the Fund;

6) provisions of the repealed Chapter 14, section 13 on the investment of the funds of the Fund;

7) provisions of the repealed Chapter 14, section 22 on confidentiality.

Provisions of subsection 3(2) shall only apply to the deposit banks which are members of the Fund at the time of entry into force of this Act.

The provisions referred to in subsection 3 above shall apply insofar as they are not contradictory to the Act on the Financial Stability Authority. Said provisions shall be applied until the old Deposit Guarantee Fund is emptied of funds and it is dissolved. When the old Deposit Guarantee Fund is dissolved, its remaining obligations will transfer to the Deposit Guarantee Fund.

The funds of the old Deposit Guarantee Fund can be used by a decision of its Supervisory Board or the Board of Directors:

1) to cover the annual deposit guarantee payments of its member credit institutions;

2) to cover receivables of the Deposit Guarantee Fund, other than those referred to in paragraph 1, by the member institutions of the old Deposit Guarantee Fund;

3) to cover the costs resulting from the management of the Fund.

If the funds in the Deposit Guarantee Fund are insufficient to pay the reimbursable deposits or to cover other liabilities of the Deposit Guarantee Fund as provided for in the Act on the Financial Stability Authority, the office of the Financial Stability Authority shall:

1) collect additional annual deposit guarantee payments in accordance with Chapter 5, section 6(1) of the Act on the Financial Stability Authority;

2) obligate the old deposit guarantee fund to transfer funds to the Deposit Guarantee Fund, if the payments referred to in subsection 1 cannot be collected in a timely manner securing stability;

3) obligate the deposit banks to lend funds to the Deposit Guarantee Fund pursuant to Chapter 5, section 6(2) of the Act on the Financial Stability Authority; or

4) take out a loan for the Fund pursuant to Chapter 3, section 8 of the Act on the Financial Stability Authority, if the arrangements referred to in paragraphs 1–3 of this subsection are inadequate.

The old deposit guarantee fund shall transfer the funds referred to in subsection 6 to the Deposit Guarantee Fund in a manner determined by the office of the Financial Stability Authority in accordance with further provisions laid down in the Act on the Financial Stability Authority or the Resolution Act.

The Ministry of Finance confirms the principles and methods in the rules of the old deposit guarantee fund, by virtue of which the assets in the fund can be used for the benefit of its members.

The old deposit guarantee fund shall, on request, give the office of the Financial Stability Authority up-to-date and comprehensive information of the investment activities of the fund, as well as work in close cooperation with the office.

The old deposit guarantee fund has a claim under a right of recourse to a deposit bank, which is not a member of the old deposit guarantee fund at the time of entry into force of this Act, in the amount by which the deposits of the deposit bank have been compensated from the old deposit guarantee fund or otherwise used to cover the resolution costs in accordance with Chapter 5, section 14 of the Act on the Financial Stability Authority. The funds with interest recovered from a deposit bank referred to in this subsection shall be transferred to the old deposit guarantee fund. Sections 7 and 12 of the Interest Act (633/1982) shall be applied to interest payable on the claim under a right of recourse.

The claim under a right of recourse, referred to in subsection 11 above, has the same priority in bankruptcy of the deposit bank, referred to in said subsection, as would have had a recoverable deposit referred to in Chapter 5, section 8 of the Act on the Financial Stability Authority.

HE 175/2014
TaVM 20/2014 (Report of the Economic Committee)
EV 191/2014 (Reply of the Parliament)
Directive 2014/49/EU of the European Parliament and of the Council (32014L0049); OJEU No. L 173, 12.6.2014, p. 149
Directive 2014/59/EU of the European Parliament and of the Council (32014L0059): OJEU No. L 173, 12.6.2014, s. 190