



## **Decision of the Board of the Financial Supervisory Authority on identifying a global systemically important credit institution (G-SII/B) and setting an additional capital requirement (G-SII/B buffer)**

At its meeting on 29 June 2018, the Board of the Financial Supervisory Authority (FIN-FSA) has, in accordance with Section 10 Subsection 1 Paragraph 6 of the Act on the Financial Supervisory Authority and following the recommendation of the Financial Stability Board (FSB), identified Nordea-group as a global systemically important credit institution (G-SII/B) and has set for Nordea-group a 1.0% additional capital requirement (G-SII/B buffer), to be met by Common Equity Tier 1 capital, for the total exposure level of the consolidation group.<sup>1</sup>

A condition for the decision to enter into effect is that Sweden's competent authority does not oppose the merger of Nordea Bank AB with Nordea Holding Oyj.

The additional capital requirement will enter into effect on 1 January 2020, in accordance with the EU Commission Regulation.<sup>2</sup>

### **Justifications for the decision**

A global systemically important credit institution is a credit institution whose failure may endanger the stability of the global financial system. The aim is to mitigate the risks of global systemically important credit institutions for the financial sector and the economy by strengthening the institutions' loss absorbency, thereby reducing the probability of their failure.

FSB recommends annually which credit institutions the national authorities should identify as G-SII/Bs and what additional capital requirements should be applied to them. The recommendation is based on the guidelines and preparation of the Basel Committee on Banking Supervision (BCBS). In Finland, the Board of the FIN-FSA identifies the G-SII/Bs and the additional capital requirements to be set for them, pursuant to the Credit Institutions Act and the EU Commission Regulation.

As a consequence of the transfer of Nordea-group's domicile, the FIN-FSA must decide on the identification of Nordea-group as a global systemically important credit institution and determine the additional capital requirement to be applied to it, pursuant to Chapter 10 Section 7 of the Credit Institutions Act and Section 10 Subsection 1 Paragraph 6 of the Act on the Financial Supervisory Authority and taking into account the guidelines of the FSB and the BCBS. The provisions of the Credit

<sup>1</sup> Global systemically important institution/bank

<sup>2</sup> COMMISSION DELEGATED REGULATION (EU) No 1222/2014 of 8 October 2014, supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically important institutions and for the definition of subcategories of global systemically important institutions.



Institutions Act are based on Article 131 of the EU Credit Institutions Directive<sup>3</sup>.

In accordance with FSB's recommendation of 21 November 2017, the additional capital requirement (G-SII/B buffer) set for Nordea-group shall remain at 1.0%.<sup>4</sup> The identification of Nordea-group as a G-SII/B and its allocation to the first subcategory, in which the additional capital requirement is the above-mentioned 1.0%, are based on end-2016 reported data. The score calculated for Nordea-group is 114, as a consequence of which the FIN-FSA, exercising its supervisory judgment, has identified Nordea-group as a G-SII/B in subcategory 1 (additional capital requirement 1.0%).

In consultation pursuant to Section 34 of the Administrative Procedure Act, Nordea-group stated that it did not consider its G-SII/B status to be justified, as the G-SII/B status is based on an overall assessment rather than mechanical G-SII/B scoring.

Identifying Nordea-group as a global systemically important credit institution and setting the additional capital requirement will promote the stability of Finland's financial market. Since the application of the G-SII/B standard, Nordea-group has been classified as a G-SII/B without it having changed its business model significantly. Cross-border activity forms a significant part of the group's activities and the group is particularly dependent on market funding. In addition, the group is systemically important in a number of countries. A potential failure of the group would have significant negative effects on the global financial market and the global economy.

The European Commission, the European Systemic Risk Board (ESRB), the European Banking Authority (EBA) and the relevant macroprudential and banking supervision authorities of EEA countries (Sweden) have been notified of the planned decision in accordance with Article 131 of the Capital Requirements Directive. The European Central Bank has been notified of the decision in accordance with Article 5 of the SSM Regulation.<sup>5</sup>

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<sup>3</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 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, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

<sup>4</sup> <http://www.fsb.org/wp-content/uploads/P211117-1.pdf>

<sup>5</sup> Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.