Annual Report **2016**

FINANSSIVALVONTA
FINANSINSPEKTIONEN
FINANCIAL SUPERVISORY AUTHORITY

Contents

The Financial Supervisory Authority in brief

The Financial Supervisory Authority (FIN-FSA) is both the authority for supervision of financial and insurance sectors and the macroprudential authority in Finland. It is part of the European system of financial supervision and the common banking supervision for the euro area.

The activities of the FIN-FSA are aimed at ensuring financial stability, confidence in the financial markets as well as customer and investor protection and the protection of the insured. The quality and efficiency of our supervision must represent the highest level in Europe.

Supervised entities and other fee-paying entities totalled

1,096

The entities supervised by us include

- banks
- insurance and pension institutions
- other actors in the insurance sector
- investment firms
- fund management companies
- the central securities depository
- the stock exchange

In addition, the FIN-FSA supervises listed companies' compliance with disclosure obligation and securities trading. Its activities are mainly funded by the supervised entities. The number of personnel of the FIN-FSA's expert organisation amounted to 182 at the end of the year.

Administratively, the FIN-FSA operates in connection with the Bank of Finland, but in its supervisory work it takes its decisions independently.

The FIN-FSA seeks to ensure that

- the operations of its supervised entities are on a sound footing, that they hold sufficient capital resources to cover the risks and losses arising from their operations and that they are able to meet their commitments
- the information provided to customers and investors on products, services, service providers and issuers is of high quality
- financial market practices are appropriate
- payment systems are secure.

For more detailed information, please see:
Fin-fsa.fi
> About us

Unless otherwise indicated, all texts refer to the year under review 2016.

Director General's review

The Finnish financial sector remains stable, but its structure involves significant risks. Both the insurance and banking sectors are highly concentrated; both sectors have strong Nordic linkages, and banks are quite dependent on market-based funding. Furthermore, the still sluggish economic growth and low level of interest rates have forced the financial sector to rethink the profitability and sustainability of their old business models. In particular, digitalisation is disrupting the competitive landscape and thereby also service concepts.

The results of the digitalisation survey conducted by the FIN-FSA in the summer showed that the Finnish financial sector has already begun to actively develop its services and new service channels. However, the respondents of banks and insurance companies, in particular, considered the rigidity of the organisation, lack of commitment by management and obsolete systems a hindrance, while investment firms and payment institutions deemed regulatory ambiguity as the main challenge. There is great divergence in the level of preparedness. Some institutions are seeking to fully take advantage of the changes in consumer behaviour through ambitious initiatives, while others are content to observe the developments somewhat passively. It was interesting that 2/3 of the respondents to the survey considered that digitalisation will improve their ability to operate successfully, while there have been international studies estimating that digitalisation would, for example, reduce banks' profits by up to 25 per cent. Therefore, it is reasonable to consider whether all institutions have understood the significance of the change and sufficiently reviewed the related risks.

The FIN-FSA's aim is to promote innovations. In the autumn, we developed a new service concept, *Innovation HelpDesk*, by which we seek to facilitate the entry into markets by FinTech companies while we assess the compliance of new innovations and initiatives with regulation. Digitalisation cannot, however, be used as a pretext to change the scope of business activities requiring authorisation defined in the law. If an operating model possesses the characteristics of the activities of a credit institution, insurance or investment service, we will consider it such, regardless of the name. It is the actual nature of the activity that counts, not any new moniker assigned to it, such as crowdfunding, for example. This view is also warranted from the perspective of customer protection and a level playing field.

As the prospects of traditional banking and insurance activities have weakened, some institutions have decided to expand outside the financial sector. In this case, it is not only a matter of business diversification or investments outside the sector, but of strategic business transformation. Such a development brings about new risks, all of which cannot necessarily be identified in advance. These must be prepared for through high-quality comprehensive risk management and adequate capital that covers the risks. Since business boundaries are being challenged ever more often, legislation should be clarified. Risks stemming from activities beyond the financial sector must not be allowed to endanger the institutions' sustainability.

Nordic supervisors and the ECB have signed a memorandum of understanding regarding the supervision of systemically important branches, which includes principles on the exchange of information between supervisors as well as on on-site inspections, among other things. The memorandum of understanding cannot, however, make up for shortcomings in legislation regarding the supervisory powers by the host country of the branch. Current capital requirements regulation was not designed for circumstances where a systemically significant bank is operating as a branch. The International Monetary Fund (IMF) also noted these structural deficiencies in EU legislation in its Country Report on Finland published in December. The EU-level regulation should be developed so that the supervisor of a significant branch has statutory rights to obtain information on the capital adequacy and financial position of the entire group, and a possibility to influence decision-making regarding the bank's capital adequacy and liquidity.

In Finland, the share of branches is already significant. Furthermore, there are plans both in the banking and the insurance

Have all institutions understood the significance of the digital transformation and explored its risks?

sector to transform operations in Finland under a branch organisation. This would affect not only the supervisory responsibilities but it would also contradict the objective to promote a level playing field.

Common EU regulation leaves a surprising degree of leeway for supervisors' interpretations and supervision practices, for example as regards the approval of internal models. As a result, banks and insurance companies with a Finnish authorisation may be subject to different requirements than branches. Hopefully this branchification will not affect the capability of the financial sector to provide a comprehensive selection of products and services tailored to the specific needs of the domestic clientele.

The implementation of pension cover by employee pension companies is part of the social security system. In a diversified system where the market participants are competing against each other, the importance of appropriate use of the pension funds is highlighted: the funds must only be used in the interests of the statutory earnings-related pension scheme. For example, any competitive tools and customer-acquisition efforts should work in favour of the earnings-related pension scheme, not vice versa. This area of supervision is very relevant from society's point of view, and therefore, in its action plan for 2017, the FIN-FSA has designated the appropriate use of earnings-related pension funds as one of its key supervisory initiatives. The primary responsibility for the propriety of the activities pursued by the company and for oversight of the use of earnings-related pension funds belongs, however, to its executive management and board of directors.

The supervisor of a significant branch must have statutory rights to obtain information and a possibility to have an influence on decision-making.

In the autumn, the European Systemic Risk Board issued a warning to Finland on medium-term vulnerabilities in the housing markets. The Board was particularly concerned about households' indebtedness. Although the concern did not apply to short-term development, it must be taken seriously. Reporting shows that not all banks have complied with the regulation on the maximum loan-to-collateral ratio for housing loans, which entered into force at the beginning of July. In addition, the regulation is being circumvented by granting consumer credit on top of the actual housing loan. Some banks also began to grant housing loans with maturities of several decades. If these loans become common, they will increase the vulnerability of the credit markets. The problem related to household indebtedness and long-term housing loans has become significant in Sweden, where it is now being contained through legislative measures by imposing an amortisation requirement.

The supervisor must be able to prevent exuberance in the housing loan markets. The macroprudential tools available to the FIN-FSA are not sufficient, since they primarily affect the capital adequacy of the lender, but not the demand for loans. We need new tools which directly affect the borrower and limit the availability of credit, for example by linking the maximum loan amount to income. This is particularly necessary also because the macroprudential tools affecting capital adequacy are not in all respects applicable to a branch of a foreign bank. If long loan maturities become more common, an amortisation requirement should be incorporated in legislation.

A couple of years ago, the FIN-FSA stated its concern about how investment products had been marketed to senior citizens. In order to gain a concrete view of the quality and appropriateness of investment advice, the FIN-FSA conducted an on-site inspection at four institutions in the sector, two of them having significant market shares. The findings of the on-site inspections give cause for concern: investment advisers had not always obtained information on the investment experience of seniors, had advised investment in products that were not suitable for the customer's risk profile and had given advice whose primary aim appeared to be the selling of their own products. In the provision of financial services, the customer's interests should always take precedence, and conflicts of interest between the customer and the service provider must be avoided. The FIN-FSA will continue inspections of investment advice and impose sanctions on non-compliance where necessary. The customer must be able to trust that investment advice provided by an investment advisor is in the customer's best interests.

How does the FIN-FSA respond to changes in the operating environment? The FIN-FSA has recently revised its strategy. More than previously, it highlights proportionate and risk-based supervisory actions and a proactive approach in directing its activities. The strategy is based on highly competent personnel, supportive management culture and efficient processes. This is supported by up-to-date reporting and analysis systems, and the full utilisation of digitalisation as a new focus area. Not only do we guide the new entrants to the financial sector to navigate the regulatory landscape, we also develop our own on-line services to meet today's standards.

As part of the common banking supervision for the euro area, the FIN-FSA cooperates in setting its priorities and participates in the strengthening of the euro area banking sector. In its other activities, the FIN-FSA also seeks to utilise the European regulatory and supervisory cooperation as much as possible.

Ever since its establishment, the FIN-FSA has observed tight cost control, and also the new Act on supervisory fees adopted during the year under review calls for tight budgeting. The objective is to be a supervisor characterised by agility and expertise, well-considered prioritisation, and also assertiveness when necessary. This is made possible by a capable and motivated personnel. A big thank you to them!

Helsinki, 20 February 2017

Anneli Tuominen

Strategy 2017–2019

The strategy reform highlighted the evolution of supervision in line with the operating environment, including the promotion of an innovation-friendly atmosphere. Investment in personnel was raised as a focus area.

Reporting in this Annual Report is based on a categorisation under the previous strategy.

VISION

Supervisory quality and efficiency among the best in Europe

VALUES

Dynamic, Responsible, Productive, Together

MISSION

We ensure financial stability and confidence in the financial markets and enhance protection for customers, investors and the insured

Strategic objectives

Supervision responsive to changes in operating environment

- We forestall risks threatening financial stability and confidence in the financial markets by proportionate action.
- We define the depth of supervision on the basis of the level of risk associated with the supervised entity and the significance of the issue at hand.
- We focus on inspections and thematic reviews in our work.
- We adjust our operations to reflect changes on the banking, insurance and financial markets.
- We emphasise areas critical to the Finnish financial markets in our European regulatory and supervisory work.
- We tailor our supervisory work to reflect the significance of systemically important branches for financial stability in Finland.
- We intensify cooperation with Nordic supervisors to promote financial stability and confidence in the Finnish financial markets.
- We foster an innovation-friendly climate in the financial sector.

High quality and efficiency

- We promote the establishment of harmonised risk-based supervisory practices within the EU.
- We make extensive use of guidance issued by EU authorities, and ECB supervisory practices.
- We harness the full potential of digitalisation.
- We apply standardised and efficient processes.
- We have in place up-to-date reporting and analysis systems.

Expertise and high esteem

- Our staff has strong competence that supports our objectives.
- We enable continuous on-the-job learning.
- Our management culture is supportive and focuses on change management.
- We are well versed in financial sector digitalisation.
- We are a highly valued employer of financial sector professionals.
- We engage in proactive communication.

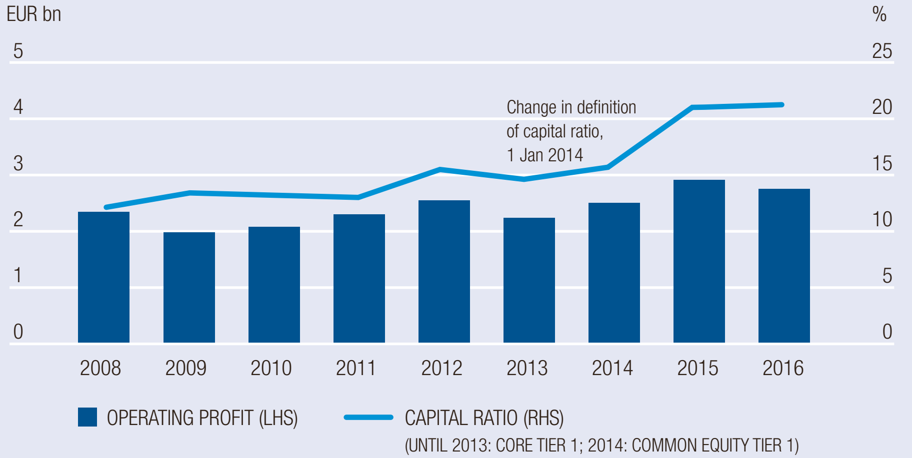
The operating environment and financial position of supervised entities

The Finnish economy turned to growth during the year under review. Growth was particularly supported by increasing private consumption and construction activity. In addition, unemployment declined, although the proportion of the long-term unemployed continued to rise. Due to the pick-up of the real economy, the decline in unemployment and low inflation, households' disposable income increased, which has reflected as stronger consumer confidence. House prices rose. At the same time, the difference between the housing markets in the Helsinki Metropolitan Area and the rest of Finland widened.

The European Central Bank's (ECB) accommodative monetary policy and expanded asset purchase programme lowered market interest rates. The one-year Euribor turned negative in February. The improved economic prospects, the policy rate hike in the United States and the rise in the oil price supported the general increase in the interest rate level towards the end of the year. Finnish government bond yields followed the general trend of interest rates in the euro area.

Equity markets had a soft start to the year, and especially the share prices of European banks and insurance companies declined due to the low return expectations towards the sector.

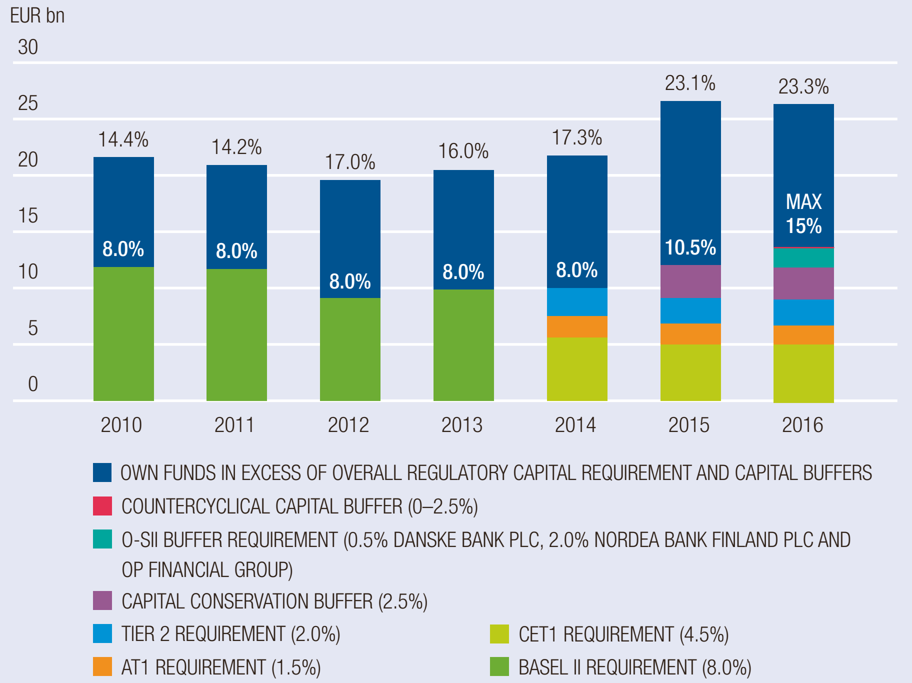
Operating profit and Common Equity Tier 1 capital ratio of the domestic banking sector



Source: The FIN-FSA.

Own funds of the domestic banking sector

Total capital ratio on top of the bar and capital adequacy requirement inside the bar.



Source: The FIN-FSA.

The improvement in the capital ratio in 2015 was primarily due to new capital raised by the banks. The CET1 capital of the banking sector increased by approximately €4.4 billion at the time. In addition, a reduction in risk-weighted assets due to internal models contributed to the improvement of the ratio.

The last quarter at the stock exchange was considerably better than the early part of the year, however, and banking sector stocks also recovered.

Strong capital adequacy of the banking sector as a buffer for weaker profitability prospects

The profit of the banking sector remained below the previous year's level. In the comparison year, net income from securities trading had been very high. The protracted low level of interest rates and, on the other hand, compressed housing loan margins due to competition reduced net interest income. At the same time, the decline of net interest income was somewhat counterbalanced by lower funding costs and the increase of the loan stock. Fees and commissions followed a declining trend in the year under review.

Impairment losses remained low, and the amount of problem credits did not increase materially. Changes in own funds and risk-weighted assets were minor, and the capital adequacy ratio of the banking sector remained solid. The contraction of net interest income, and, moreover, expenses related to digitalisation, are weakening banks' profitability prospects in the short term.

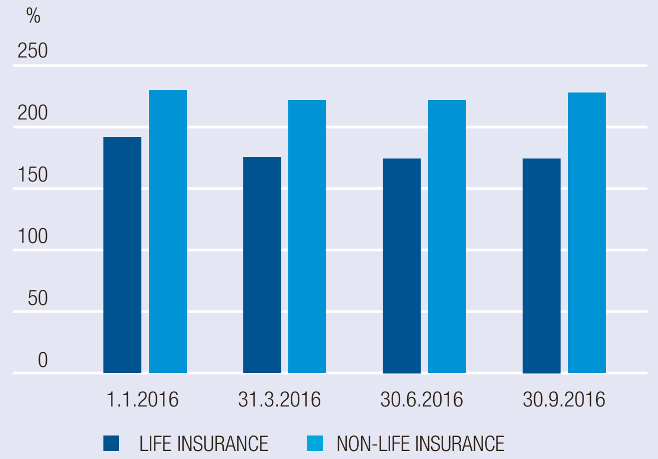
Solvency of the insurance and employee pension sector remained at a solid level despite the difficult operating environment

The operating environment remained challenging for insurance companies and pension institutions. In particular, the sluggish economic growth eroded life insurance companies' premium income. The growth in non-life insurance companies' premium income, especially on statutory lines of insurance, came to a halt. In contrast, profitability was at a record high level. Pension insurance companies' premium income increased somewhat due to the growth of the wage bill of the economy.

Investment markets were challenging due to the record-low interest rates. The decline of interest rates has been a double-edged issue for investors: on the one hand, it has enabled valuation gains; on the other hand, the accrual of interest yields has decreased and even fallen to zero in many cases for those only buying new sovereign bonds with high credit ratings. After the beginning of the year, the risk appetite of pension institutions began to improve. The solid returns of the second year-half boosted the pension institutions' weighted average return over the return requirement. At the end of the year, solvency was at a solid level.

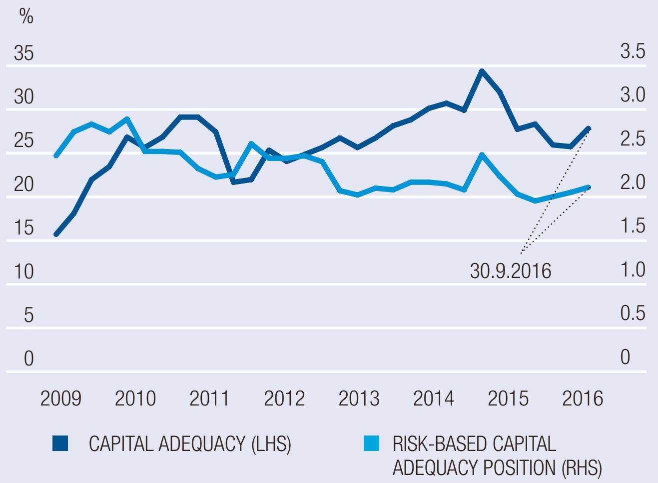
Life and non-life companies' Solvency II ratios remained good and stable throughout the first year of their validity. However, at the company level, the solvency ratios varied from one quarter to the next. For the life insurance companies in particular, the transitional provisions had a major impact.

Solvency of life and non-life insurance companies (SCR ratios)



Source: The FIN-FSA.

Employee pension companies' solvency development in 2009–2016



Source: The FIN-FSA.

◀◀ ***SCR*** *= Solvency Capital Requirement, solvency requirement under Solvency II*
SCR ratio *= own funds divided by the Solvency Capital Requirement*

◀ ***Solvency ratio*** *= solvency capital divided by technical provisions*
Risk-based solvency position *= solvency capital divided by the solvency capital requirement*

To simplify, it can be said that the risk-based solvency position indicates solvency relative to the risks taken. The solvency ratio indicates solvency relative to the scale of activities.

Financial sector's turn to digitalise itself

The growth of the FinTech sector has been boosted by many factors. Stricter regulation encourages traditional market participants to seek savings from automation, while the higher computing capacity enables the utilisation of existing data masses in new ways and the targeting of services in an increasingly customised manner. Meanwhile, service users are adopting new digital applications quickly and open-mindedly. Furthermore, due to increasing automation and the evolution of artificial intelligence, services that have previously been only accessible to the few, such as investment advice, will be available to more and more people.

The digitalisation of the financial sector lowers the barrier to entry and attracts new participants to the industry. Start-ups and large global platform providers, such as *Google, Apple, Facebook, Amazon* and *Alibaba* have already challenged traditional institutions. Financial sector participants are responding to the intensifying competition by refocusing their business, investing in their own IT and service development and acquiring FinTech companies or allying with them.

Financial supervisors' focus on FinTech has also increased globally. The Financial Supervisory Authority engages in cooperation between supervisors at ESMA[1], the EBA[2], EIOPA[3] and their Joint Committee. The ESAs[4] have published FinTech analyses on virtual currencies, distributed ledger technology, automation of financial services and big data. The primary purpose of these analyses has been to stimulate discussion about the potential benefits and risks of a technology or an innovation, and to evaluate the applicability of existing regulation.

> The FIN-FSA has considered it important that new services are also included within the scope of regulation and supervision. At the same time, however, attention must be paid to preserving the proportionality of regulation.

What is FinTech?

Financial innovation and particularly financial technology, *FinTech*, have taken the central stage of the financial markets. In recent years, FinTech investments have grown almost exponentially. Examples of the innovations include crowdfunding, new kinds of payment services, cryptocurrency, robo-advisory, *distributed ledger technology*, such as the *blockchain* technology, and smart insurance. The main concept includes technology supporting compliance and control, *RegTech*, and insurance technology, *InsurTech*.

Advisory service to support the ecosystem

In many countries, the national supervisor has taken new kinds of initiatives in order to support the development of financial technology. In October, the FIN-FSA also launched an advisory service aimed at FinTech actors, *the Innovation HelpDesk*. Its objective is to increase dialogue within the sector as well as the actors' awareness of the content and interpretations of regulation. The FIN-FSA does not take the role of a consultant, but it seeks to help the actors identify crucial issues related to regulation and the need to have an authorisation, and guide them to make the requisite further reviews. The HelpDesk received a positive response from the sector, and there was a good number of enquiries.

In connection with FinTech, a need has emerged to clarify and specify the boundaries of the scope of application of

[1] ESMA = European Securities and Markets Authority. | [2] EBA =European Banking Authority.
[3] EIOPA = European Insurance and Occupational Pensions Authority. | [4] ESA = European Supervisory Authorities.

regulation, as new actors are seeking a path with the lightest regulation. Current regulation has proven applicable to most novelties, but gaps have also been found. The FIN-FSA has considered it important that new services are also included within the scope of regulation and supervision. At the same time, however, attention must be paid to preserving the proportionality of regulation. The barrier to entry into the sector must not be raised too high by tight regulation. Instead, the requirements must reflect the risks posed to customers and the operation of the financial markets.

In search of European solutions

The FIN-FSA has also deemed it desirable that European solutions be sought for regulation. In the digital world, services are globally mobile. National solutions may therefore prevent the expansion of services. The digitalisation of services also calls it into question whether the European passport created in the era of physical branches remains up to date. Do we need the current notification process going forward, or could it be replaced by, for example, a notification by the supervisor into registers maintained by ESMA, the EBA and EIOPA?

Speed from a sandbox?

In certain countries, FinTech actors may pursue, subject to predefined requirements, experimental activities on a short-term basis with eased requirements. The purpose of this so-called *regulatory sandbox* is to facilitate the testing of the functionality of a service concept and identify risks related to the service. Since EU regulation does not acknowledge sandboxes, they have been developed mostly for specific areas, where national leeway is allowed. The sandbox model could also be implemented in Finland, for example so that the FIN-FSA would be provided with more extensive opportunities than now to grant temporary exemptions from individual legal requirements. On the other hand, the objectives of the sandbox may also be achieved in many respects by innovation-friendly interpretations.

Seminar on the theme of FinTech

The annual seminar focused on the digitalisation of the financial sector, and it attracted some 500 participants. The speakers of the day were:

- **Anneli Tuominen** FIN-FSA
- **Harri Nummela** OP Financial Group
- **Tuomas Toivonen** Holvi
- **Petri Vieraankivi** Mandatum Life
- **David Geale** Financial Conduct Authority (UK)
- **Janko Gorter** De Nederlandsche Bank
- **Antti Kiuru** National Cyber Security Centre and **Timo Piiroinen** Police Cybercrime Centre

The programme ended with a panel facilitated by **Matti Toivonen**, with the following debaters:
Jarmo Parkkonen, **Harri Nummela**, **Tuomas Toivonen** and **Ilkka Ruotsila**.

Webcast recording and presentation material is available at http://seminaari.fiva.fi, **see also** #fivaseminaari

Supervised entities' strong risk resilience and high-quality governance

Inspection activities were developed in a more risk-based direction by supporting on-site inspections with thematic reviews covering broader groups of supervised entities. The thematic reviews are used as a basis to target inspections and other supervisory measures. The quantitative target for the number of on-site inspections during the entire year was 46, of which 42 were completed. The on-site inspections initiated towards the end of the year will be continued in 2017.

Several decisions to support macrostability

The FIN-FSA's second year as the macroprudential supervisor involved several measures promoting the stability of the markets.[5] Due to households' indebtedness, preparations were made for raising the risk weights for housing loans. Regulation on the maximum loan-to-collateral ratio entered into force as of the beginning of July, and the first reports by banks on actual LTC ratios were received in November. Based on the reports, some banks are not complying with the new regulation, and the FIN-FSA has required a clarification on the matter. Decisions on further measures will be made based on the clarification. However, the LTC regulation has reduced the number of loans exceeding 90% of the value of the collateral.

The additional capital requirement set for four systemically significant institutions (so-called O-SII[6] buffer) was adopted in January, and in June the FIN-FSA Board decided to begin preparations for introducing a minimum level of 10% for the average risk weight on housing loans of banks that have adopted the Internal Ratings Based Approach (in force on 1 July 2017 at the latest). The provisions on a maximum LTC value for housing lending, which limit the loan to 90% (95% for first-home buyers) of the current market value of the collateral, entered into force in July.

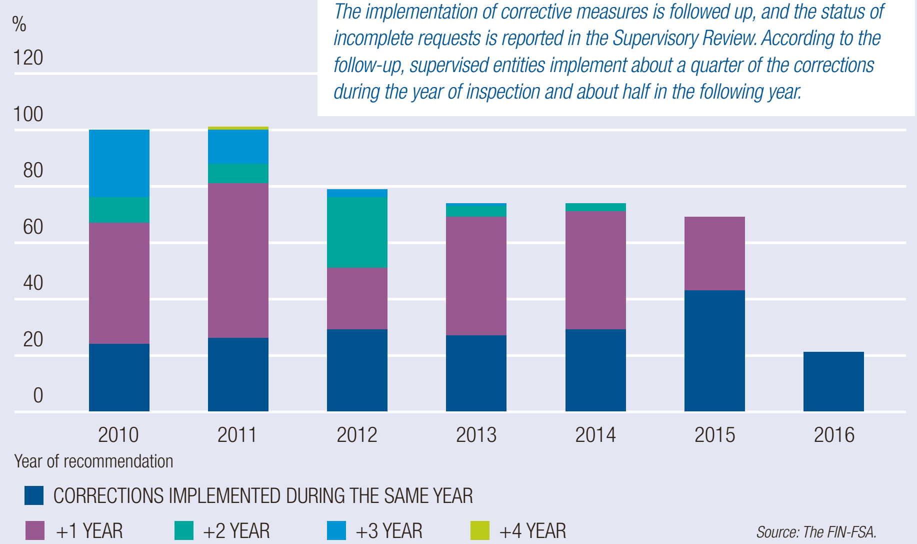
In November, the European Systematic Risk Board (ESRB) issued warnings to Finland and seven other EU countries on medium-term systemic risks in the housing loan markets.

Nordea became a branch, a new mortgage credit bank was established in Finland

Nordea's transformation into a branch was completed on 2 January 2017. The branch project included an application for an authorisation by

Implementation of corrective measures 2010–2016

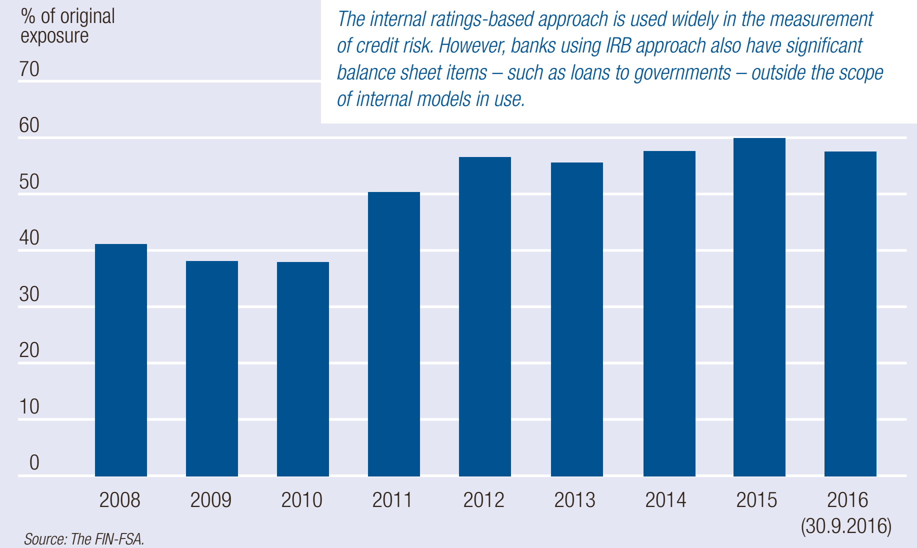
The implementation of corrective measures is followed up, and the status of incomplete requests is reported in the Supervisory Review. According to the follow-up, supervised entities implement about a quarter of the corrections during the year of inspection and about half in the following year.



Source: The FIN-FSA.

Share of exposures treated under IRB

The internal ratings-based approach is used widely in the measurement of credit risk. However, banks using IRB approach also have significant balance sheet items – such as loans to governments – outside the scope of internal models in use.



Source: The FIN-FSA.

[5] Article in previous year's Annual Report: First year of macroprudential supervision: Do the risks and tools match? | [6] OSII = Other Systematically Important Institution.

45
new authorisations

635
new insurance agents

8
registration notifications on the provision of crowdfunding

The FIN-FSA processed a total of 45 applications for granting an authorisation or expansion of a previous authorisation during the year. A total of 635 new insurance agents were registered.

Solvency II: Long transitional periods

Non-life and life insurance companies' solvency calculation involves several transitional periods of different lengths. Some of them have required the FIN-FSA's approval. The most significant is the transitional provision for technical provisions, which can be applied as long as 16 years and which enables a gradual shift into market-based calculation of technical provisions.

A permission to apply the transitional measure for technical provisions was extended to five life insurance companies and two non-life insurance companies. The permission only applies to part of their technical provisions; in non-life insurance, the proportion is less than 2% and in life insurance less than 3%.

The company itself must also disclose the impact of the transitional measure for technical provisions on the solvency requirement in its report on solvency and financial position.

Another significant transitional measure is the transitional measure for equity risk, which lasts seven years and enables the use of lower risk weights. This does not require the FIN-FSA's approval, and it is only adopted by some of the companies.

Nordea Mortgage Bank Plc. The FIN-FSA prepared an assessment on the matter for the ECB, and the ECB granted an authorisation in August. The design of the supervision model for the branch and Nordea's Finnish subsidiaries was launched in cooperation with the ECB, and it will be completed in the early part of 2017.

Stress tests both for banks and insurance companies

During the year, banks underwent European stress tests (EBA, ECB), which were complemented by national stress tests. The stress tests confirmed the picture of a solid capital adequacy prevailing in the Finnish banking sector. The insurance sector also received a clean bill of health from the stress tests.

Solvency II raised many questions of interpretation to be resolved

The area of focus in the supervision of the non-life and life insurance sector was the commencement of supervision under the Solvency II regulation, which entered into force at the beginning of the year under review. Many questions of interpretation related to regulation were discussed at the national, Nordic and EU level. Key supervisory issues included the implementation of the transitional provisions and their impacts on the capital adequacy calculation by the companies, and questions related to reporting. On-site inspections were focused on risk-based grounds, and issues related to new regulation were also explored during supervisory visits. Calculation of solvency capital requirement and technical provisions could not be inspected to the extent intended, among other things due to a delay in Solvency II reporting and inoperability of information systems.

All Finnish life and non-life insurance companies within the scope of Solvency II regulation participated in the European (EIOPA) and the national stress test. The stress test examined the vulnerability of companies to a scenario of prolonged low interest rate level as well as a scenario of declining interest rates and asset values (the so-called *Double Hit*). The results did not show any unexpected factors affecting companies' risk-bearing capacity. For life and non-life insurance companies in particular, the prolonged low level of interest rates turned out to be a more strenuous scenario than the Double Hit. Every company's assets exceeded their liabilities also after the stress scenarios.

Solvency II supervision could not be implemented fully to the extent intended, but the most significant interpretations related to new regulation and questions related to instructing the supervised entities were resolved satisfactorily.

New regulations and guidelines for the employee pension sector

New FIN-FSA regulations and guidelines on the management of the risk of disability by employee pension insurance companies as well as on the new solvency regulation for employee pension institutions were completed. During the autumn, inquiries were made into the preparations conducted by pension institutions for new solvency regulations and the application of the pertinent regulations and guidelines. In addition, the overhaul of FIN-FSA's analysis and reporting systems required by the legislative reform began. The pension reform was also reflected in an exceptionally high number of applications concerning amendments to by-laws.

High-quality customer and investor protection

The FIN-FSA continued on-site inspections related to the obligation to obtain information in the provision of investment advice. These on-site inspections focused in particular on investment services provided to elderly non-professional customers. Shortcomings were found in the level and appropriateness of investment advice. The FIN-FSA also inspected transaction reporting and the operation of insurance brokers in the tendering of employee pension insurance. No significant shortcomings were found. In the on-site inspections of unemployment pension funds, attention was paid to internal instructions, ex-post supervision of decisions on benefits, and the adequacy of information received by the board of directors of the funds.

Basic banking services must also be made available to disabled users

According to the annual review, basic banking services primarily continued to be readily available, but the supply had continued to narrow locally due to a reduction in the number of branches for personal customers and in their service offering. As of the beginning of 2017, the provision of basic banking services was changed by new regulation on payment accounts, which ensures the availability of basic banking services and introduced online banking as part of the basic banking services.

The FIN-FSA pointed the attention of the service providers among other things to the following issues:

- customers incapable of conducting their transactions online and with payment cards are offered a clear and simple service package
- guidance on choosing appropriate services is offered in particular to customers who are based far from branch services or are incapable of or lack access to online or mobile banking
- the user interfaces of online and mobile banking are designed to be so clear that also disabled people or those unaccustomed to online services would have a possibility and confidence to use them.

The interest rate regulation concerning consumer credit was clarified and became more stringent on 1 January 2017. The FIN-FSA directed credit institutions' attention to changes concerning terms related to reference rate linkage, interest rate floors and unilateral interest rate hikes.

Stance on knowing your customer; the customer must also be told why the information is asked and what it is used for

In December, the FIN-FSA outlined what information as a rule is necessary and required for the bank in order to know its customers in the context of establishing and maintaining a customer relationship for basic banking services. The statement reminded banks of their obligation to inform the customer why banks are asking their identification data and for what purpose the information is used.

The first crowdfunding registrations made primarily on funding via loans

Eight registration notifications were submitted to the FIN-FSA on the provision of crowdfunding. A majority of these concerned loan-based crowdfunding. In addition, banks and investment firms are offering investment-based crowdfunding in particular. The Crowdfunding Act required statements on various questions of interpretation.

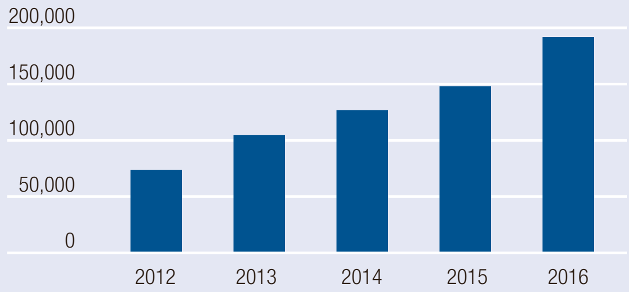
IPO activity continued to be brisk, and there were several supervisory visits related to the capabilities of the companies to be listed. In the supervision of prospectuses, there was a focus on information provided on the sufficiency of operating capital, financial position and marketing of the issues.

How does one identify the customer?

The questions posed by banks to their customers continue to spark enquiries from both the media and the public. We are often asked what identification documentation banks may request of a customer. In establishing its own risk management principles, a bank or any other financial sector company may determine what documentation it requires for the verification of a customer's identity.

For more detailed information, please see: Financialcustomer.fi > Financial services > Customer identification and due diligence

Visits at Financialcustomer.fi



Source: The FIN-FSA.

The most popular content in the Financialcustomer.fi website:

1. Housing loans
2. Investments
3. Handling of a death estate
4. Warning lists
5. Identification of a banking customer

The bail-in sequence in bank resolution

At the beginning of the year under review, regulation changed the treatment of the bank's own savings and investment products while the bank is in crisis resolution. The chart illustrates the write-down sequence determined by owner and investor liability in the context of a bail-in arrangement.

WRITE-DOWN SEQUENCE	EXAMPLE PRODUCTS
Equity and cooperative capital	**Shares, cooperative shares,** Profit Shares and equity capital shares
Capital loans	Capital loans
Junior bonds	Debentures, incl. risk debentures
"Unpreferred senior"	Possible new product category in the future (marketing name still unconfirmed)
Other unsecured liabilities and derivatives excl. deposits listed below	**Bonds, index-linked bonds and other structured products,** such as warrants, certificates, ETNs, futures, investment-linked bonds, equity-linked bonds, coupon-linked bonds, interest certificates, equity certificates and autocall products
Retail deposits without deposit guarantee	Household and SME deposits in excess of €100,000

Outside the scope of bail-in

Covered deposits (up to € 100,000)	Secured liabilities and secured derivatives	Client funds, wages etc.

Market Abuse Regulation: more extensive reporting on managers' transactions and broader sphere of closely associated persons

In key respects, MAR[7] corresponds to previous regulation on market abuse, but earlier practices had to be partly reviewed and in some regards also revised. The most significant changes are concerned with the disclosure obligation (publication of inside information) and the reporting and publication of transactions made by the issuer's managers and their closely associated persons. Regulation concerning market sounding and related procedures is entirely new, although corresponding good practices have also been observed in the sector previously to some extent.

Shifting to directly applicable EU regulation marks a major change

Shifting from domestically implemented Directive-based regulation to directly applicable EU regulation proved challenging. Ambiguities in interpretation caused a lot of discussion and work among listed companies and market participants. The regulatory technical standards were completed at a late stage, which also contributed to slowing preparations.

During the spring, the FIN-FSA received many enquiries and requests for interpretation. In April, the FIN-FSA opened a MAR section in its online service, where procedural guidelines and information on application was grouped by topic area. In addition, the FIN-FSA arranged training events, some in collaboration with the Helsinki Stock Exchange. A working group established by the Advisory Board of Finnish Listed Companies also prepared guidance and best practices for listed companies.

Reporting of managers' transactions and extended definition of their closely associated persons stimulated discussion

MAR requires the notification of transactions made by issuers' managers, and their disclosure in a new manner. In particular, there was active debate about the extension of the definition of the persons closely associated with a manager of an issuer. The broad definition of closely associated persons in conjunction with the related notification obligation was considered to result in an undue administrative burden to institutions defined as a person closely associated with a manager. However, the member states do not have the possibility to influence the content of a definition in a Regulation which has already been adopted. The definition of an institution closely associated with a manager corresponds to the definition in the previously valid Market Abuse Directive (MAD), but the member states used to have leeway in the implementation of the Directive into their national legislation. Such flexibility is no longer allowed in the Regulation.

A further point to consider was that the definitions of closely associated persons in the EU Regulation varied across the different language versions. This allowed the member states to make diverging interpretations. There was uncertainty as to whether the persons closely associated with an issuer's manager also include institutions in which the manager, or another person closely associated with him or her, discharges managerial responsibilities without having any ownership in the institution, or whether the definition of a closely associated person also requires an ownership connection. The language versions were harmonised in October.

A regulation with the objective of uniform market abuse regulation in the EU area

Application of the Market Abuse Regulation (MAR) and Directive (MAD II) adopted in 2014 began on 3 July. MAR regulates insider trading, market manipulation and the disclosure of inside information. In addition, MAR contains provisions on the notification obligation related to market abuse, investment advice and the disclosure of transactions made by the management of the issuer and persons closely associated with them. The scope of application of the Regulation was extended, in addition to financial instruments listed on the stock exchange, to financial instruments listed on multilateral trading facilities and the issuers of listed bonds. The criminal law provisions under MAD II on severe market abuse entered into force nationally on 3 July.

The purpose of issuing the provisions as a directly applicable EU Regulation is to ensure the uniformity of market regulation in the different member states. However, harmonisation requires uniform interpretation and application. ESMA promotes this with its Q & A interpretations.

For more information, see Fin-fsa.fi > Regulation > International regulatory projects > Market Abuse Regulation – MAR

[7] MAR = Market Abuse Regulation.

IFRS 9: Introduction in banks of a new standard on financial instruments attracted interest throughout the EU

The purpose of the new standard is to improve the quality of financial statement reporting on financial instruments. In future, the classification of financial instruments must be based on the institution's business models. Impairments on financial assets must be recognised earlier, and they are determined on the basis of expected credit losses. In addition, hedge accounting must be based more clearly on risk management. The standard must be applied to financial reporting as of 2018.

The FIN-FSA monitored preparations for the implementation in cooperation with the ECB and the EBA. The monitoring was conducted by a survey including both qualitative and quantitative questions.

In terms of schedule, the high-quality implementation of the standard poses a challenge to the institutions. Based on the responses, the implementation affects the results, and thereby also equity and potentially own funds for capital adequacy purposes. The new classification of financial assets based on the business model is preliminarily not estimated to have a significant impact on the variation of result or equity.

Towards the end of the year, the EBA published its own survey on European banks, including recommendations that support the high-quality implementation. The EBA is finalising guidance on banks' risk management and the recognition of expected credit losses under the new requirements. The EU Commission is planning a transitional period for IFRS 9 impacts on capital adequacy calculation.

An ESMA statement determines how investors should be informed about the impacts and progress of the implementation in companies' financial reporting before 2018.

Productive cooperation between supervisors and other authorities

The supervision of large banks was conducted under the ECB's direction. The FIN-FSA participated in the work of the EU supervisory authorities in accordance with previously determined priorities and resources.

The joint banking supervision for the euro area is more intense and specific than previously, and therefore it has not been possible to streamline the resourcing of banking supervision at the FIN-FSA. In addition, joint supervision brought new tasks to the FIN-FSA, such as preparation of the decisions of the Supervisory Board, and significantly more extensive reporting than previously to the ECB.

FIN-FSA personnel conducted approximately 75% of the ongoing bank supervision and a majority of the work on on-site inspections. An effort was made to compensate for the increased workload by also utilising the ECB's methodologies in the supervision of smaller banks, thereby enabling a reduction in the development of own methodology. There are no indications that the workload of the joint banking supervision for the euro area would be about to decrease.

The IMF took note of Nordic cooperation

The IMF's assessment of the stability of Finland's financial markets (FSAP[8]) was completed in December. The key recommendations related to supervision concerned:

- comprehensiveness of the macroprudential toolkit
- increase in the intensity of supervision and workload, ensuring sufficient resourcing for the FIN-FSA
- the importance of Nordic cooperation and
- deficiencies in regulation on the supervision of systemically important branches.

In the same context, the IMF also assessed the supervision of cross-border investment fund, investment service and stock exchange operations. The findings of the report will be utilised in the development of the FIN-FSA's activities.

A memorandum of understanding on the supervision of a systemically important branch was signed among the Nordic supervisors and the ECB in December. The memorandum provides on exchange of information in excess of the minimum requirements and on other principles to be applied to the supervision of systemically important branches.

[8] FSAP = Financial Sector Assessment Program.

The regulatory year in brief

Banking sector

As part of the macroprudential toolkit, a loan cap for housing loans (maximum loan-to-collateral ratio) entered into force on 1 July. In addition, revisions were made to housing loan regulation, both as a result of the Mortgage Credit Directive and domestic amendments improving consumer protection, for example in relation to interest rates. These amendments entered into force on 1 January 2017.

Regulation on basic banking services was reformed due to the Payment Accounts Directive. The changes improve, among other things, the availability and comparability of services as well as access to information on service charges. Online banking IDs are now considered part of basic banking services.

The working group for reforming the Payment Services Act began its work on the implementation of the second Payment Services Directive. Due to the change, different kinds of payment services will be covered more comprehensively by regulation, and regulation is aligned with past developments in the markets.

A Government Bill on the national implementation of the fourth Anti-Money Laundering Directive, which underscores a risk-based approach in countering money laundering and financing of terrorism, is now being processed by Parliament.

The EU's banking supervisor continued to be busy with the preparation of technical standards and guidelines related to major regulatory initiatives (capital adequacy and liquidity, recovery and resolution, payment services). The FIN-FSA participated in the preparations and implemented many EBA guidelines with its regulations and guidelines.

In November, the EU Commission published its proposal on a package of reforms to further strengthen the resilience of banks, including proposed changes to regulation on credit institutions' capital requirements, liquidity and resolution. The Commission proposes a leverage ratio and the imposition of a binding net stable funding ratio. The reforms seeking to improve the loss-bearing capacity in a crisis situation are also part of a package, on the content of which the Commission is negotiating with the EU Council and Parliament during 2017.

Insurance sector

The Solvency II regulation applying to life and non-life insurance companies was specified with respect to the calculation of the capital requirement for infrastructure investments and the transitional provision for equities. The FIN-FSA published a statement on the *valuation of assets and liabilities in solvency capital requirement calculation under Solvency II.*

From 2018 onwards, the offering of insurance will be regulated by the Insurance Distribution Directive (IDD), which requires insurers to have processes for the management of product development and distribution, and continuing professional development of the expertise of sales personnel and intermediaries.

A reform of the Motor Liability Insurance Act amended among other things the bonus scheme for insurance contributions and specified the claims handling process.

Online banking IDs now considered part of basic banking services.

Most prominent topics brought to the public's attention by the FIN-FSA

1. Activities concerning wellbeing at work financed by pension insurance companies
2. Nordea's structural change
3. Macroprudential decisions
4. Identification of customers by banks
5. Sanctions imposed by the FIN-FSA

Source: Media monitoring by the FIN-FSA.

An obligation was imposed on employee pension institutions to prepare a risk and solvency assessment. A fixed-term act enabling employee pension companies' subsidiaries to borrow for residential construction was extended until the end of 2022. The purpose of the Act is to increase the production of rental housing.

The FIN-FSA issued regulations and guidelines concerning the management of disability risk by employee pension companies. Their purpose is to improve how well a company's activities, competition and use of assets can be supervised and to promote a level playing field.

In addition, employee pension institutions were issued regulations and guidelines among other things on the calculation of the solvency limit, diversification of investments, accounting, financial statements and the annual report. Due to the changes, reporting was also reformed.

Twitter: Daily instant messaging

The FIN-FSA's Twitter account had 1,290 followers on 31 December. During the year, the FIN-FSA tweeted 762 times. The account monitors closely communications by the EU's financial supervisory authorities and tweets among other things on public presentations by the FIN-FSA staff, vacancies and themes relating to the protection of banking and insurance customers.

The most popular tweets concerned the following topics:

- Jyri Helenius' blog: *Is it the right time to launch long-term housing loans?*
- Identify a scam
- Results of the bank stress tests

Join the followers! Twitter.com/FIN_FSA

Securities sector

New national regulation was provided for peer lending and crowdfunding activities. The Crowdfunding Act applies to investment-based crowdfunding and loan-based crowdfunding where the recipient of the funding is a corporation. Peer loans to consumers remain within the scope of consumer protection provisions. The FIN-FSA acts as the registrar for crowdfunding and the supervisor of the actors. The FIN-FSA proposed several amendments to the Act during the parliamentary process aimed at improving investor protection and clarifying the relationship of the Act with other laws. A large proportion of the proposed amendments were accepted into the Act.

The application of the Markets in Financial Instruments Directive (MiFID 2) was postponed and is now due to begin in 2018, as the level 2 regulation and the IT systems required by the Directive remain incomplete.

Application of the Market Abuse Directive (MAR) began on 3 July. The Directive on criminal sanctions for market abuse was partially transposed into national legislation.

The amendments to the UCITS Directive (UCITS V[9]) concerning custody activities and investment funds' remuneration policies were implemented by amending the Act on Common Funds.

The new EU Benchmark Regulation applies to the calculation and use of reference rates. The provisions on critical benchmarks (currently Euribor) entered into force immediately; the other provisions will apply as of 1 January 2018.

Preparations for level 2 regulation related to the so-called PRIIPs Regulation applying to packaged retail and insurance-based investment products were made. The EU Parliament rejected the proposed technical standards, and therefore a decision was made to postpone the application of the Regulation until the end of 2017.

The EU's Audit Regulation and Directive were implemented nationally in August.

The FIN-FSA became the registrar and supervisor for crowdfunding actors.

[9]UCITS = Undertakings for the Collective Investment in Transferable Securities.

Improving operational efficiency and development of operations

The work of the supervisory teams for euro area joint banking supervision stabilised in line with guidelines and practices. The guidelines and practices were utilised in the supervision of smaller banks as applicable.

Own regulation for the securities sector was streamlined

Critical assessment of the regulations and guidelines issued by FIN-FSA proceeded. Own regulation was streamlined significantly, in particular in connection with the reform of the regulations and guidelines for the securities sector. In the same context, as a response to the need for guidance on new regulation, information was published in the online service and Q & A documents were prepared. Furthermore, so as to provide current information to market participants more efficiently, news releases were introduced.

The development of electronic services continued in order to improve internal efficiency and help interaction with supervised entities. In addition, the FIN-FSA renewed its operating procedures in order to improve the efficiency of processing the enquiries and requests for interpretations posed by supervised entities. The new service concept facilitates the flow of information, for example from the handling of applications, by increasing the guidance in the online service and by concentrating all incoming enquiries to a single email address. After the new service concept had been piloted, it was gradually rolled out to cover more and more functions at the FIN-FSA.

October saw the launch of an Innovation HelpDesk, where market participants are given guidance related to regulation on new financial services or operating models. The Help-Desk received positive feedback from actors. 20 enquiries were received and eight meetings were arranged.

As regards customer enquiries, the FIN-FSA took the stance that its measures would focus increasingly on larger topic areas and less on processing individual questions posed by customers, which would be directed at the Finnish Financial Ombudsman Bureau (FINE) instead.

Towards the end of the year, competitive bidding was launched to procure a signal and analysis system to support the supervision of trading.

The FIN-FSA's representatives contributed to the efforts of a working group making preparations for the reform of the Act on the Financial Supervisory Authority and produced background material. The Act entered into force at the beginning of 2017.

The Innovation HelpDesk supports market participants in regulatory issues related to new services and operating models.

First FinTech HelpDesk among Nordic supervisors

The Innovation HelpDesk was launched on 4 October. Its purpose is to make the supervisor more approachable, to increase dialogue and support the development of the ecosystem by increasing institutions' awareness of the content and interpretation of regulation, in other words to make the development of innovations more efficient and facilitate the subsequent application processes.

The HelpDesk does not substitute for innovators' own work or consultants, nor does it guarantee any favourable supervisory decisions at a later stage. Towards the end of the year, the HelpDesk experts met representatives of eight companies and processed a total of approximately 20 enquiries. The first consultations were arranged in connection with Slush.

1

The FIN-FSA's free-of-charge HelpDesk shows where your company should focus its attention.

It is no substitute for the work of the company's own advisors.

2

Further information:
innovation.fin-fsa.fi

Email:
Innovaatio-HelpDesk@fiva.fi

Tel: **+358 9 183 5998**

3

Email response to specific questions within 10 banking days

Telephone consultation, max 30 min

Meeting, max 1 h

For more information, see innovation.fin-fsa.fi

See article *Financial sector's turn to digitalise itself,* pages 8–9.

Board

The FIN-FSA's activities are steered by the Board. The Board sets the specific objectives for the activities of the FIN-FSA, decides the operational principles, and guides and supervises achievement of these objectives and compliance with these principles. In addition, the Board, inter alia, discusses the budget of the FIN-FSA and submits it to the Board of the Bank of Finland for confirmation. At least once a year, the Board submits to the Parliamentary Supervisory Council a report on the operational objectives of the FIN-FSA and their achievement, and an assessment of changes expected in supervision, their impact on the accrual of supervision fees and of measures required by the expected changes.

The secretary to the Board is Senior Legal Advisor **Pirjo Kyyrönen**. The Board convened 32 times during the year. Fees to the members and deputies in the year totalled EUR 54,600. No separate attendance allowance was paid.

Vesa Vihriälä
DSocSc, Managing Director of ETLA, the Research Institute of the Finnish Economy

Chair **Pentti Hakkarainen**
LLM (trained on the bench), MSc. Econ, Deputy Governor, Bank of Finland
(Deputy member: **Katja Taipalus**, DSocSc, Head of Department, Bank of Finland)

Vice Chair **Martti Hetemäki**
DSocSc, Permanent State Secretary, Ministry of Finance
(Deputy member: **Jaakko Weuro**, LLM, Advisor, Ministry of Finance)

For more detailed information, please see: CVs of the Board, composition of the Parliamentary Supervisory Council, organisation chart, ethical rules of conduct: Fin-fsa.fi > About us > Organisation > Ethical rules of conduct > Ethical rules of conduct for members and deputy members of the FIN-FSA Board

Pirkko Juntti
LLM (trained on the bench)

Outi Antila
LLM (trained on the bench), Director-General, Ministry of Social Affairs and Health
(Deputy member: **Mikko Kuusela**,PhD, SHV*, Senior Actuary, Ministry of Social Affairs and Health)
**Actuary accredited by the Ministry of Social Affairs and Health*

For more information, see: The Board's report to the Parliamentary Supervisory Council has been published in March 2017 (in Finnish) at Finanssivalvonta.fi > Julkaisut ja tiedotteet > Johtokunnan kertomus pankkivaltuustolle

Management Group

Jarmo Parkkonen
LLM, MSc Econ, Head of Supervision of Markets and Conduct of Business

Jyri Helenius
MSc Eng, Head of Prudential Supervision

Sonja Lohse
LLM (trained on the bench), Chief Advisor, Head of the Director General's Staff

Pirjo Kyyrönen
LLM (trained on the bench), Senior Legal Advisor, secretary to the management group

Erkki Rajaniemi
DSc Econ, LicLL, LLM (trained on the bench), Advisor to the Management

Anneli Tuominen
LLM (trained on the bench), BSc Econ, Director General, Chair of the Management Group

Marja Nykänen
LLM (trained on the bench), Deputy Director General, Institutional Supervision (until 31 January 2017)

The management group convened 61 times during the year. The Director General's salary and fees totalled EUR 210,379.30. Salaries and fees paid to the other management group members totalled EUR 656,144.32.

For more detailed information, please see: Management group's CVs as well as ethical guidelines and guidelines on securities trading and close ties of the FIN-FSA staff at Fin-fsa.fi > About us > Organisation

For more information, please see: The personnel audit for the year under review will be published in April 2017 (in Finnish) at Finanssivalvonta.fi > Tietoa Finanssivalvonnasta > Avoimet työpaikat

Number of the FIN-FSA personnel and their duties

	Women		Men		Total	
Management	9	53%	8	47%	17	9%
Experts	94	65%	51	35%	145	80%
Support staff	18	90%	2	10%	20	11%
Total	**121**	**66%**	**61**	**34%**	**182**	**100%**

Appendices

Total number of supervised and other fee-paying entities

Fee-paying entities	31.12.2015	31.12.2016
Credit institutions	285	276
Investment firms	64	67
Fund management companies and AIFMs	38	39
Securities issuers	162	171
Stock exchange, clearing corporation	1	1
Finnish Central Securities Depository	1	1
Other fee-paying entities in the financial sector	148	156
Financial sector, total	**699**	**711**
Life insurance companies	12	11
Non-life insurance companies	38	38
Pension insurance companies	6	6
Unemployment funds	29	28
Pension funds	54	52
Sickness funds and other insurance funds	130	126
Insurance associations	6	6
Insurance brokers	70	76
Public sector pension funds	3	3
Other fee-paying entities in the insurance sector	37	39
Insurance sector, total	**385**	**385**
All supervised and other fee-paying entities, total	**1,084**	**1,096**

In addition, FIN-FSA supervises, for example, insurance agents and compliance with the obligation to declare insider holdings.

Expenses and funding

Expenses and funding, EUR thousands	2015	2016*
Staff expenses	16,551	15,982
Staff-related expenses	880	880
Other expenses	3,250	3,416
Services	895	863
Real estate expenses	1,336	1,319
Other expenses	1,019	1,234
Depreciation	756	583
Bank of Finland services	4,533	4,884
Total expenses	**25,970**	**25,745**
Funding of operations		
Supervision fees	20,779	21,643
Processing fees	2,311	1,527
Bank of Finland's contribution: 5% of expenses	1,298	1,287
Surplus carried over from the previous year	4,368	2,786
Surplus carried over to the next year	- 2,786	- 1,498
Total funding	**25,970**	**25,745**

**The figures for 2016 are unaudited and unconfirmed.*

Set supervision fees

Fee-paying entities, EUR thousands	2015	2016
Credit institutions	10,645	10,536
Investment firms	987	1,080
Fund management companies and AIFMs	1,319	1,554
Securities issuers	1,548	1,631
Stock exchange, clearing corporation	256	265
Finnish Central Securities Depository	160	165
Other fee-paying entities in the financial sector	277	381
Financial sector, total	**15,192**	**15,612**
Life insurance companies	933	1,025
Non-life insurance companies	1,208	1,287
Pension insurance companies	1,611	1,735
Unemployment funds	897	1,038
Pension funds	202	210
Sickness funds and other insurance funds	72	72
Insurance associations	4	4
Insurance brokers	65	72
Public sector pension funds	441	474
Other fee-paying entities in the insurance sector	155	169
Insurance sector, total	**5,588**	**6,086**
Adjustment items carried over from previous years	- 1	- 55
Fee-paying entities, total	**20,779**	**21,643**

Processing fees

Fee-paying entities, EUR thousands	2015	2016
Credit institutions	92	58
Investment firms	99	60
Fund management companies and AIFMs	1,372	846
Securities issuers	232	165
Other fee-paying entities in the financial sector	61	53
Financial sector, total	**1,856**	**1,182**
Insurance companies[1]	91	47
Unemployment funds	22	20
Pension funds	27	16
Sickness funds and other insurance funds	44	31
Insurance brokers[2]	229	222
Other fee-paying entities in the insurance sector	42	9
Insurance sector, total	**455**	**345**
Fee-paying entities, total	**2,311**	**1,527**

[1] Life, non-life and pension insurance companies

[2] Insurance brokers and agents

Parliamentary hearings and submissions on draft legislation

The Financial Supervisory Authority's experts were invited to hearings by various committees of the Finnish Parliament on 28 occasions. The FIN-FSA was requested to make 27 submissions on draft Finnish legislation and 82 other submissions in its field of competence.

Journal

Items initiated in the FIN-FSA's journal (main functions and their major categories)	Number
Management	110
Regulation	73
Supervision	2,714
Examples of categories:	
Notifications; branches and cross-border activities	635
Articles of association, by-laws and regulations; confirmation and changes	207
Prospectuses	177
Letters by private citizens	236
Fit & Proper reports	334
Inspections	39
Authorisations; granting and expansion	45
Other	267
Examples of categories:	
Domestic cooperation	82
International cooperation	3
	3,164

In addition, 635 new applications for registration and 2,103 applications for change were processed in the insurance agent register outside the scope of the Journal.

87

requests for information, some of which quite extensive

Working group
Terhi Lambert-Karjalainen (chair)
Miia Armila-Paalasmaa
Raakel Heikkinen
Ville Kajala
Teija Korpiaho
Pia Ovaska
Jaana Rantama
Mervi Toivanen
Tommi Tulonen

Layout design and page makeup
Recommended Finland Oy

Photographs
Portrait photographs:
Peter Mickelsson, Bank of Finland

Printer
Erweko Oy, 2017

Financial Supervisory Authority
Snellmaninkatu 6, P.O. Box 103, FI-00101 Helsinki
Switchboard +358 9 183 51
Fin-fsa.fi • Twitter.com/FIN_FSA