Annual Report **2017**

FINANSSIVALVONTA
FINANSINSPEKTIONEN
FINANCIAL SUPERVISORY AUTHORITY

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Contents

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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. We are part of the European system of financial supervision and the common banking supervision for the euro area.

Our activities 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. 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.

Supervised entities and other fee-paying entities totalled

1,098

In addition, we supervise listed companies' compliance with the disclosure obligation and securities trading. Our activities are mainly funded by the supervised entities. The number of personnel of the FIN-FSA's expert organisation amounted to 180 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 foundation and they hold sufficient capital resources to cover the risks and losses arising from their operations and 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

Director General's review

The Finnish financial sector continues to be in a good condition. In the longer term, however, its profitability is exposed to significant changes in the operating environment and the competitive landscape as well as to challenges posed by digitalisation. Institutions have therefore undertaken major development initiatives and structural arrangements.

In particular, there have been major structural changes in our statutory earnings-related pension system. The administration and risks of the Finnish earnings-related pension system, an integral part of our social security, are decentralised to several pension providers. The institutions are tasked with providing a diverse channel for the provision of statutory earnings-related pension cover with competitive service levels and investment returns. Although the intent of the diversified model is to avoid risks related to concentration, current developments seem to be heading in the exact opposite direction. Diversification has been reduced, and the average size of institutions has grown. One cannot help but ponder whether these structural changes in the implementation of social security have been appropriate with a view to the objectives and tasks of the system.

Also in the context of structural change, the FIN-FSA's task is to supervise that financial market participants comply with applicable regulations and the terms of their authorisations. It is our task to ensure the stable operation of the financial markets as well as its participants.

Regulation shapes financial markets significantly

A considerable amount of new regulation related to payment services, investment services and insurance activities will enter into force during the current year. Preparations for the entry into force of the new regulation have been made for a long time, requiring both institutions and the supervisor to invest in new IT systems, reshape internal processes and train staff.

The MiFID II regulation on investment services may be considered the most significant regulatory change in the capital markets since the financial crisis. Its main goals are to promote investor protection and the efficiency of the capital markets by increasing transparency with respect to the prices of products and fees collected by intermediaries. At the same time, regulation concerning other aspects of investor protection is also clarified.

Operating models highlighted by the FIN-FSA for years now, such as those concerning product oversight and governance by market participants, will receive official regulatory status. However, the introduction of the so-called light investment firm model was a step backwards in the implementation of regulation. In practice, this means that firms choosing this model may provide investment advice and sell investment products with even lighter requirements than before.

As late as last spring, the FIN-FSA was forced to impose sanctions on incumbent providers for inappropriate conduct in investment advice. In my opinion, easing regulation is not justified for firms with less expertise and experience in providing investment service.

Housing loans should be considered from the perspective of macrostability

Supervised entities and the supervisor do not always share the same opinion on macrostability issues. As the authority responsible for macroprudential supervision, the FIN-FSA is tasked with ensuring that the financial system remains stable also over the longer term.

There are numerous examples in economic history about exuberant lending and its consequences. Overindebtedness played a significant role both in the Finnish depression of the 1990s and in the international financial and economic crisis that escalated in 2008. At present, our Nordic neighbours are trying to contain the consequences of excessive growth optimism, rapid lending growth and a deteriorated loan servicing culture. In my opinion, it is easier to prevent mistakes in advance, rather than to rectify them afterwards – both here and elsewhere.

In order to slow down the accumulation of debt by households, the FIN-FSA has stated it is considering tightening the parameters of the loan cap. In its current form, however, the loan cap is not a particularly effective macrostability instrument. The loan cap should be proportionate to the value of the home being bought, and it should also include loans granted by other institutions than banks. The FIN-FSA, together with other authorities, is making preparations for the introduction in legislation of additional macrostability instruments that also take the borrower's financial standing into consideration.

Lately banks have also begun to market long-term housing loans. Since the lengthening of loan maturities has historically been also reflected in increased indebtedness, we need tools in legislation to reduce loan maturities if the average loan maturity of housing loans continues to rise. In addition to longer loan maturities, the growing prevalence of housing company loans in the marketing of new homes is another cause for concern.

The increase in consumer loans has given us reason to take a closer look into the drivers of the growth and banks' lending criteria. According to a preliminary review, there is room for improvement in the criteria. The review also covered foreign credit institutions providing consumer credit in Finland. In addition, some of the lending takes place beyond the scope of the requirements of authorisations. A comprehensive positive credit register would considerably facilitate the assessment of lending volumes, and it would also be an effective tool in preventing overindebtedness.

Customer's security must not be compromised in digitalisation

Incumbent institutions have continued their digitalisation-related development initiatives to be able to respond to the competition posed by new, agile fintech companies and evolving customer demands. Digitalisation has changed and is changing, for example, supervised entities' internal processes, customer service, investment advice, asset management, granting of credit, claims handling, compliance monitoring – just to name a few functions. Cloud services, big data and artificial intelligence provide an opportunity for innovations and the utilisation of large masses of data.

In issuing interpretations on compliance with new regulation and in assessing how the prerequisites for authorisation are met by new applicants, the FIN-FSA also considers security factors, including customer data protection and data security, as well as preparation for cyber risks by the institution. These must not be compromised at any stage. When banks, for example, open payment services to new competition in accordance with the new payment service regulation, they must be able to ensure appropriate identification of the institutions. In addition, third parties may only have access to information permitted by the customer – after all, identification data permits one to see also information on the customer's health, for example.

I would like to repeat again what I emphasised last year: Despite the evolution of the operating environment and investments in digitalisation, supervised entities must be able to manage their core business, put enough effort into risk management and meet the requirements for good governance. Knowing one's own operations, authorisation boundaries and responsibilities is the core duty of corporate management. All too often we come across supervised entities that have focused all of their efforts, due to competitive pressures, on new development initiatives at the expense of the basics.

On an annual basis, the FIN-FSA assesses the availability and pricing of basic banking services. Availability has been impaired particularly for customers unable to use online and payment card services. The digitalisation of services is reflected in our society ever more broadly, and this development cannot be stopped. However, service providers must also take into account those among its customer base who are unable, for one reason or another, to utilise digital services.

Nordea's move to Finland strengthens the banking union

In its meeting at the beginning of September, the board of directors of Nordea Bank AB decided to start preparations for moving the bank's headquarters from Stockholm to Helsinki. The final decision will be made by the annual general meeting on 15 March 2018.

From the perspective of the stability of the euro area, it is desirable that as many of the major banks as possible be covered by European banking supervision and the jurisdiction of the Single Resolution Board. For the Finnish banking sector, Nordea's move would mean a levelling of the playing field, since the majority of the banking sector would become subject to similar supervision and regulation. There would be a major change in the allocation of supervisory responsibilities: instead of the Swedish Finansinspektionen, the ECB would be responsible for supervision in close cooperation with the Financial Supervisory Authority. For the FIN-FSA, the change would entail a great increase in work challenges and a need for further recruitment, since the FIN-FSA would conduct 75% of the supervisory work.

Following Nordea's move to Finland, the supervisor has to establish capital requirements for it. The ECB together with the FIN-FSA will conduct a comprehensive assessment of Nordea, including among other things an asset quality review and a stress test. These results would be the basis for determining an appropriate discretionary capital requirement buffer (Pillar 2) with a view to Nordea's risk level. In comparing the capital requirements imposed by the Swedish supervisor and the ECB, attention must be paid to the quality of capital needed to fulfil the requirement and on how binding the requirement is. Comparison is also hindered by differences in the level of transparency of the requirements.

In contrast, the capital requirements for macroeconomic stability concerning Nordea will remain mainly unchanged, and the macrostability instruments used in other Nordic countries will be mutually recognised in accordance with regulation.

FIN-FSA responds to changes in the sector

During its early years, the FIN-FSA sought to develop common supervisory practices between banking and insurance supervision with a view to achieving considerable synergies within the new supervisory authority. Another important consideration was the harmonisation of supervisory cultures. As the supervisory requirements continue to mount, the FIN-FSA has reshaped its organisation to a sector-based model; there are individual departments covering insurance, banking, financial analysis (incl. macroprudential supervision) as well as markets and conduct. This change helps us deepen our supervision and improve timely communication with our supervised entities, thus responding to the feedback given in our stakeholder survey.

The FIN-FSA has maintained a tight budget throughout its period of operation. At some point, excessively tight resourcing may, however, undermine the credibility of supervision. Partly reflecting the possible move of Nordea's headquarters and partly the increased supervisory demands, we will strengthen our resources this year in various areas of supervision. As regards banking supervision, minimum resourcing is determined by the ECB's criteria.

At the same time, we will improve the efficiency of our operations, for example by developing our reporting and electronic services as well as by focusing more clearly on strategically important areas and supportive management culture. According to the results of a recently published atmosphere survey, our work climate has improved. This provides a solid foundation to square up to major reforms.

I would like to thank our entire personnel for their good work.

Helsinki, 21 February 2018

Anneli Tuominen

Strategy 2017–2019

During the year under review, the FIN-FSA followed the strategy for 2017–2019. The strategy highlights the evolution of supervision in line with the operating environment and includes the promotion of an innovation-friendly atmosphere. Investment in personnel has been raised as a focus area.

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.

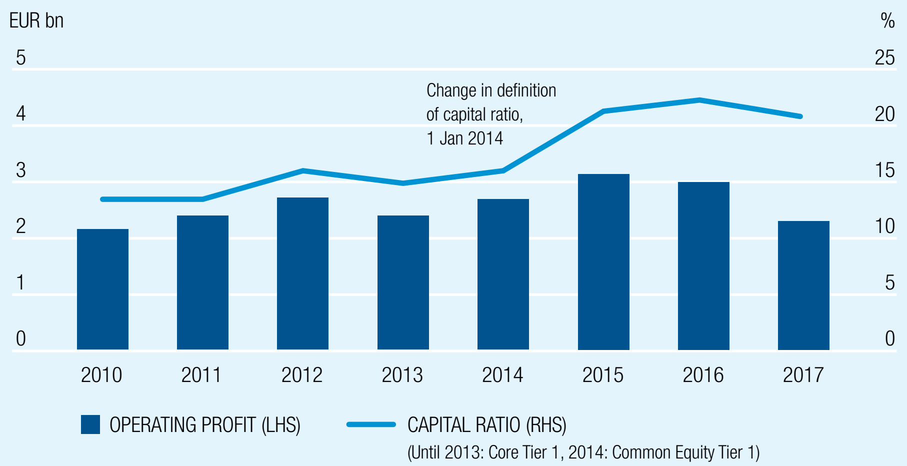
State of financial markets

The upswing of the Finnish economy strengthened in 2017, driven by the international economy. The economic recovery and favourable developments in the financial markets also improved the operating conditions for the financial sector.

The broad-based growth was supported by more buoyant exports and domestic demand than in previous years. Companies' investments and revenues grew while confidence indicators reflected positive business prospects. Households had strong confidence in the outlook of their own finances

The definition of banking sector used in the FIN-FSA's analyses was expanded in 2017. Following the expansion, the banking sector also includes other domestic credit institutions (Municipality Finance Plc, Nordea Mortgage Bank Plc, Nordea Finance Ltd, Handelsbanken Finance Plc). The abovementioned companies were added retroactively to the time series depicted in the charts. The capital ratios and key profitability indicators based on the expanded definition are slightly higher than those based on the previous definition.

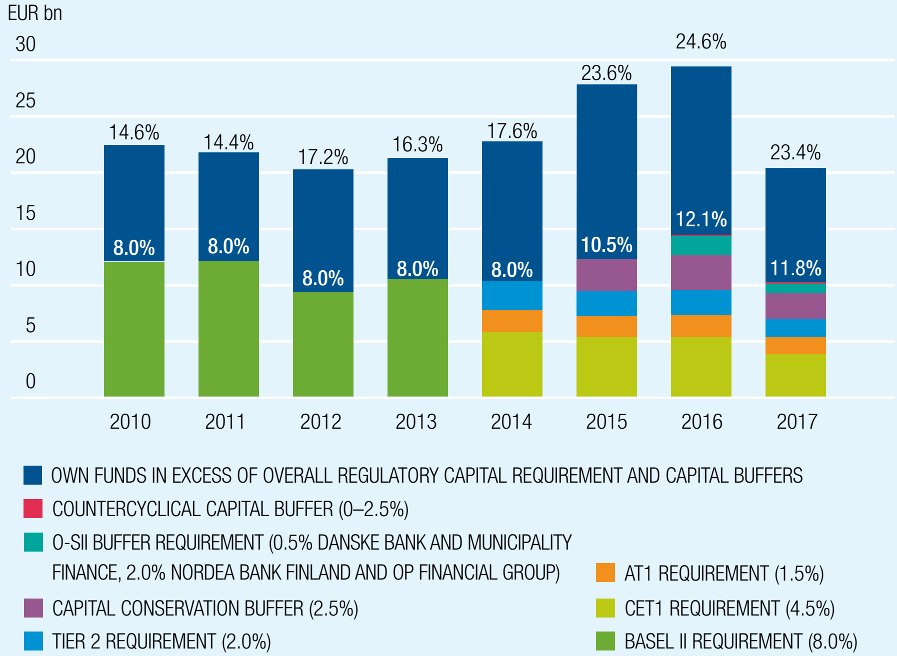
Operating profit and Common Equity Tier 1 capital ratio of the domestic banking sector



Source: The FIN-FSA.

Own funds of the domestic banking sector

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



Source: The FIN-FSA.

Following Nordea's structural change, Nordea Bank Finland Plc was no longer included in the figures of the Finnish banking sector in 2017, explaining the decrease in operating profit and capital ratio.

The capital ratio was also impaired in 2017 by the minimum risk weight level set by the ECB for OP Financial Group.

Growth in retained earnings, issuance of equity instruments and increased use of internal models slowed down the deterioration of the capital ratio.

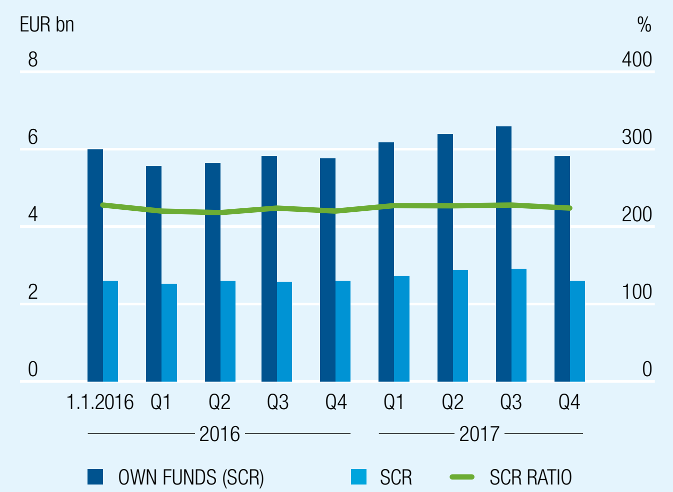
▶ *SCR ratio = own funds divided by the Solvency Capital Requirement*

▶▶ *If P&C Insurance Company is included until 30 September 2017 (data on If's Finnish branch are not included in sector figures).*

Solvency of life insurance companies

Source: The FIN-FSA.

Solvency of non-life insurance companies



Source: The FIN-FSA.

and the economic development of the country as a whole. Household consumption and credit grew faster than disposable income and therefore the savings rate was negative and indebtedness increased. In the housing market, polarisation of price developments throughout the country continued.

In the United States and the United Kingdom, central banks hiked policy rates due to the economic and inflation prospects. The ECB's[1] expansionary monetary policy continued through a securities purchase programme. Short-term Euribor rates remained negative throughout the year and long-term rates were very low. As the returns on alternative investments remained low and the general cyclical upswing continued, equity prices performed favourably both in Finland and all major equity markets. Fund capital also increased steeply during the year, aided by both positive net subscriptions and a rise in market prices. Assets under management rose in all other fund categories except money-market funds.

Volatility in the equity markets remained very low for almost the entire year, which reflected a generally calm sentiment among investors. Meanwhile, various risk premia and interest rate spreads either narrowed or remained at a low level without any major changes. There were no large changes in the interest rates and spreads of Finnish government bonds during the year.

Comparable result of the banking sector remained unchanged and capital adequacy was strong

The comparable result of the banking sector remained at the same level as in the previous year. The favourable performance of the capital markets increased security-linked fees and commissions particularly in the latter half of the year under review. The volume growth of the loan stock and low-cost funding contributed to the positive development of net interest income in the highly competitive housing loan market. Impairments remained low and no signs of deterioration was seen in the quality of the loan stock.

Development initiatives related to the transformation of the sector and digitalisation increased the expenses of the banking sector. Comparable capital adequacy improved and was clearly stronger than in Europe on average. The capital buffer of the banking sector enabled sizeable business development projects. Some of the initiatives were implemented during the year under review, and efficiency gains and returns are expected from them in the near future.

[1] ECB = European Central Bank.

Life and non-life insurance companies' solvency at a solid level, premium income not increasing

The solvency of life and non-life insurance companies remained at a good level. The performance of the investment markets was favourable for insurance companies. The increase in the level of interest rates decreased the amount of long-term technical provisions and was reflected in an increase in the SCR ratio[2], which illustrates the capital adequacy of insurance companies. The rise in equity prices improved investment returns; life insurance companies' investment returns, however, fell short of the sector's level in the previous year.

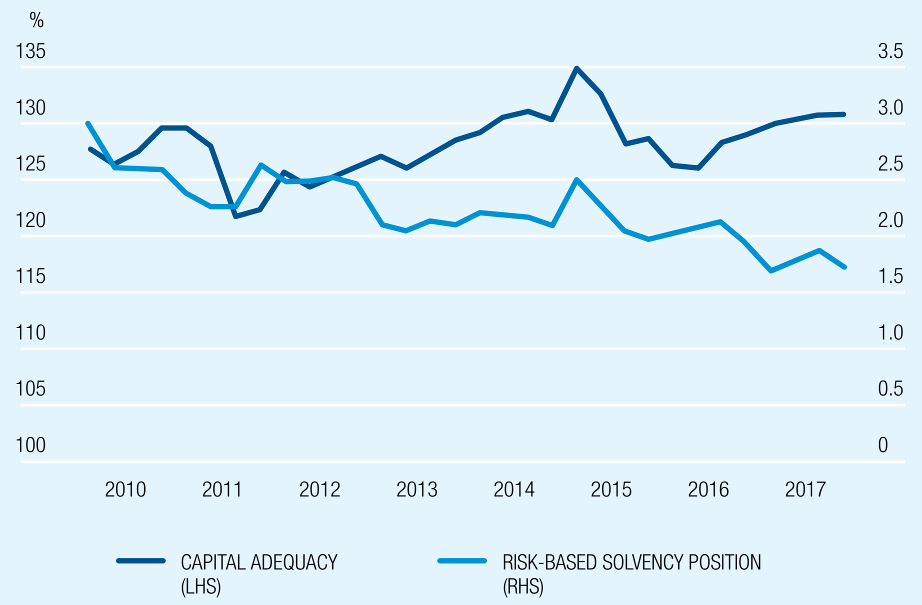
Life insurance companies' premium income remained at last year's level. The sales of new policies remained sluggish. The growth of non-life insurance companies' premium income has stagnated since the beginning of 2015. The intensification of the competitive situation decreased the premium income on non-life companies' statutory lines of insurance. The two largest market participants together had a market share of approximately three-quarters of Finnish non-life insurance companies' premium income.

Investment returns improved the solvency of the pension insurance sector

Recovering economic growth, ample liquidity and a low level of return on government bonds sustained the demand for equities and bonds with credit risk. Equities are the largest asset class in pension institutions' investment assets. The weighted average return on pension institutions' investments exceeded the fund transfer obligation, improving the solvency ratio. New regulation concerning the solvency of pension insurance institutions entered into force on 1 January 2017. There were no significant changes in the risk-based solvency position under the new regulation during the year. Pension insurance companies' premium income increased due to the growth of the wage and salary earnings of the economy.

Economic recovery also improved operating conditions for the financial sector.

Employee pension sector's solvency development in 2010–2017



Source: The FIN-FSA.

Due to a legislative amendment that entered into force at the beginning of 2017, the solvency position is not comparable to previous years.

Solvency ratio is calculated by dividing pension assets by technical provisions.

Solvency position = solvency capital divided by the solvency capital requirement

[2]SCR = Solvency Capital Requirement.

New payment services directive opens competition in the banking sector

The purpose of the new Payment Services Directive[3] (PSD2) is to cover various payment services by regulation more comprehensively than at present and to align the regulation of payment services with developments that have taken place in the markets. A further objective is to open up competition in the banking sector. In addition, the reform improves payment security and consumer protection.

The directive entered into force nationally on 13 January 2018. Legislative amendments concerning the Act on Payment Services were prepared by a working group lead by the Ministry of Justice, and amendments to the Payment Institutions Act were prepared by the Ministry of Finance.

Key changes to payment services legislation

The scope of application of the Act on Payment Services is expanded by including third party payment service providers within the scope of regulation and supervision. The new providers of payment services are:

- Payment Initiation Service Providers
- Account Information Service Providers.

In payment initiation services, the customer gives a payment order, which is initiated by the service provider from the customer's account. In an account information service, customers receive data online on all of their payment accounts, enabling them, for example, to view transactions on accounts with two separate banks through a single application. The customer may also receive other financial management services as an account information service.

Account-servicing banks must provide these new service providers with access to customer accounts on the consent of the customer. Banks must build interfaces that can be used by the new service providers. Payment initiation service providers and account information service providers have the right to utilise strong customer authentication procedures provided to the customer by the account-servicing bank.

The directive will be supplemented by the EBA's[4] guidelines and regulatory technical standards (RTS), prepared by the EBA and issued as Commission Regulations. The most significant of these is the Commission Regulation on regulatory technical standards concerning strong customer authentication and secure communication adopted by the Commission on 27 November 2017. The Regulation is directly applicable and it will enter into force 18 months after publication in the Official Journal, i.e. entry into force is expected in autumn 2019.

Reform improves payment security and consumer protection.

Transitional period to PSD2 poses a challenge to sector participants and the supervisor

The asynchronous entry into force of national legislative changes and the Commission Regulation poses challenges for banks in developing new interfaces for new payment services and for service providers to start providing new payment services to customers.

On 10 January 2018, the FIN-FSA issued a statement on the situation during the transitional period. In the statement, the FIN-FSA laid out procedures for service providers in the provision of new payment services and highlighted the security of payment services and the customer's data security also in using new services. The FIN-FSA encourages all parties to fulfil the technical security requirements under the Regulation as soon as possible already ahead of its entry into force.

FIN-FSA supports the sector in the context of change

The FIN-FSA has established a PSD2 monitoring group whose objective is to disseminate topical information to the sector on the subject, discuss matters of interpretation, provide instructions and respond to questions. The PSD2 monitoring group will convene about once a month and remain active at least until summer 2019. The FIN-FSA will disseminate material discussed in the monitoring group on its website to ensure that all interested parties have access to the information.

[3]Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market amending Directives 2002/65/EC, 2009/1001/EC, 2013/36/EC and 2006/1093/EC and repealing Directive 2007/64/EC was published on 23 December 2015. This so-called second Payment Services Directive must be implemented nationally by 13 January 2018. | [4]European Banking Authority.

Supervision responsive to changes in operating environment

The Finnish financial sector continues to be stable, but structural changes in the banking, insurance and securities sectors have continued. More changes are expected this year. Nordea is preparing for the relocation of its headquarters to Finland, while change pressures caused by digitalisation in the financial sector mean that structural changes are likely to continue in the future.

The FIN-FSA conducted 14 thematic reviews during the year. Due to the strong growth in consumer credit, a thematic review was made towards the end of the year on consumer lending by credit institutions, also including foreign institutions providing services across the border. The FIN-FSA conducted 27 inspections.

The FATF[5], a task force against money laundering and terrorist financing, operating in connection with the OECD[6], is currently preparing a country evaluation on Finland. Preparations for the evaluation began at the FIN-FSA in 2017 and will continue until the country report on Finland has been discussed by the FATF plenary in February 2019. As part of the evaluation, the evaluation team will make an inspection visit to Finland at the turn of May-June 2018.

The FIN-FSA's annual seminar continued on last year's theme, the digitalisation of the financial sector, and attracted some 330 participants. In addition to Anneli Tuominen's opening remarks, the topics of the seminar focusing on the digitalisation of the financial sector, artificial intelligence and competitiveness were *"Digitalisation, the financial sector and society", "How to build AI for the financial sector", "The Commission's approach to financial sector digitalisation"* and *"Keys to success in the new competitive environment"*.

Banking sector

In September, the board of directors of Nordea decided to begin preparations for the relocation of its headquarters. The FIN-FSA has prepared for the change by renewing the organisational structure of banking supervision, planning requisite recruitments and beginning to process the application for authorisation related to the relocation of the headquarters. The preparations have been made in close cooperation with the ECB and the Swedish Finansinspektionen.

The branchisation of Danske Bank took place at the turn of the year when Danske Bank Plc merged into Danske Bank A/S. During 2018, the content and resourcing of the supervision of the bank will be aligned with the bank's new structure.

Banks under the ECB's direct supervision were supervised in line with the supervision plan of the SSM[7]. The SSM has paid attention to the great variation among the risk weights produced by various banks' internal models used in their capital requirements calculation, and has therefore launched an extensive inspection programme on internal models. These inspections were also conducted in Finnish banks.

The ECB's methodologies were introduced in the supervision of banks under the FIN-FSA's direct supervision. For example, the supervisory review and evaluation process for LSI banks[8] was reformed, the inspection methodology for SI banks[9] was utilised in LSI inspections, and an asset quality review (AQR) was made on one LSI bank applying the ECB's supervisory methodologies.

As of the beginning of 2018, an amendment of the financial reporting standards (IFRS 9) entered into force. In particular, it affects the impairment recognitions to be made by banks. The FIN-FSA has examined the preparedness of the entire banking sector for the adoption of the new regulation. As regards the largest

Nordea's move to Finland requires significant efforts from the FIN-FSA

Following the move of Nordea's headquarters, the Finnish banking sector will grow to around three times the size of gross domestic product. From a supervisory point of view, the main change related to Nordea's redomiciliation is the move of the bank under the direct supervision of the European Central Bank (ECB). Although supervision within the banking union is led by the ECB, 75% of the supervisory resources come from the national supervisory, i.e. in Nordea's case, the FIN-FSA.

Nordea's application for authorisation is processed by the FIN-FSA, which makes a proposal to the ECB for the actual decision on granting an authorisation.

Before the change of Nordea's domicile or shortly thereafter, Nordea will be subject to a so-called comprehensive assessment, comprising an asset quality review and a stress test. The assessment requires significant input of resources from the FIN-FSA, although it will also involve the ECB's experts and external consultants. The capital requirement to be imposed on Nordea will be determined on the basis of the results of the comprehensive assessment. The responsibility for Nordea's crisis resolution will be shifted to the Single Resolution Board (SRB). Resolution means a reorganisation of a bank's operation so that critical functions, such as the reception of deposits, is secured. The costs of resolution are primarily borne by banks' shareholders and creditors.

[5]FATF = Financial Action Task Force. | [6]OECD = Organisation for Economic Cooperation and Development. | [7]SSM = Single Supervisory Mechanism. | [8]LSI = Less Significant Institution = an entity under the FIN-FSA's direct supervision. | [9]SI = Significant institution = an entity under the ECB's direct supervision.

banks, the review was conducted as part of SSM supervision. The reviews revealed that banks still have to undertake significant development work in this area.

Other focus areas in the supervision of the banking sector were governance and the reporting of doubtful receivables. In the reporting of doubtful receivables, particular attention was paid to the reporting of so-called forbearances. The regulation of forbearances is still relatively new, and many banks have room for development in its application.

Insurance sector

The allocation of resources and supervisory measures in insurance supervision was affected by changes in the sector, primarily related to changes in the organisation models and operating procedures of the supervised entities. Significant changes in organisational models from the point of view of supervision included the transformation of If P&C Insurance Company Ltd from a subsidiary of If P&C Insurance Holding Ltd (publ) into a Finnish branch, the structural changes of LocalTapiola non-life insurance and the merger of Etera Mutual Pension Insurance Company as part of Ilmarinen Mutual Pension Insurance Company. The changes in the operating models of supervised entities were characterised by new procedures related to the promotion of electronic service.

Outsourcing issues were highlighted in all areas of insurance supervision. In addition, the

47
new authorisations or expansions of authorisation

529
new insurance agents

The FIN-FSA processed a total of 47 applications for granting an authorisation or expansion of previous authorisation during the year. A total of 529 new insurance agents were registered.

quality and extent of the own risk and solvency assessments (so-called ORSA[10]) prepared by non-life and life insurance companies required monitoring. Supervisory attention was also paid to questions related to the calculation methods of technical provisions and solvency, as well as the development of a Solvency II reporting system.

In the supervision of employee pension institutions, the FIN-FSA focused on uniform compliance with new solvency regulation and appropriate use of employee pension assets. Applications concerning the revision of provisions due to the pension reform caused an increase in the workload in supervision.

In the supervision of unemployment insurance, the FIN-FSA inspected the procedures of unemployment funds in the context of abuse of benefits and the use of assets by the unemployment funds in procuring services from other entities. The funds' attention was drawn to providing more detailed instructions on the abuse process and related monitoring as well as to costs stemming from service contracts. In the same context, the internal controls of the unemployment fund was also inspected. The coverage of internal controls emerged as an even broader area in need of a review within unemployment insurance.

Due to changes in the operating environment, special attention was also paid to the need to ensure the timeliness of decisions of principle made in the course of supervision and to review the monitoring of findings and related sanction processes, if any. The activities are being developed, among other things, on the basis of a common manual for supervisors previously compiled at EIOPA[11] and an assessment on the FIN-FSA prepared by EIOPA. The supervision activities are geared to be predictable, critical and forward-looking.

Macroprudential supervision

In June 2017, the FIN-FSA established a minimum risk weight of 15% for banks using so-called internal models in the calculation of capital requirement for housing loans. The floor took effect on 1 January 2018 and it applies to the average risk weight of the credit institution's portfolio of housing loans. The limit was established pursuant to Article 458 of the CRR[12]. An increase of risk weights helps support the resilience of the financial system.

Credit institutions systemically important for the Finnish financial system (O-SII[13]) and their capital buffer requirements were redefined after Nordea Bank Finland Plc merged into Nordea Bank AB (publ) in January 2017. The new definitions and capital buffer requirements enter into force on 1 July 2018. Nordea Mortgage Bank Plc was defined as a new O-SII subject to a capital buffer requirement of 0.5%. The buffer requirement for Municipality Finance Plc was raised to 1%.

Legislation on a new macroprudential tool, the systemic risk buffer, which has been prepared for since 2016 entered into force on 1 January 2018. In addition to the systemic risk buffer, the FIN-FSA has explored, in cooperation with the Bank of Finland and the Ministry of Finance, options for macroprudential tools that could have a more potent impact than at present on household indebtedness. This work will also continue in 2018.

Securities sector and conduct

The number of initial public offerings remained at a good level; ten new companies were listed on the main list of Helsinki Stock Exchange and the First North Finland marketplace, which

[10]ORSA = Own Risk and Solvency Assessment. | [11]EIOPA = European Insurance and Occupational Pensions Authority. | [12]CRR = Capital Requirements Regulation. | [13]O-SII = Other Systemically Important Institutions.

was reflected in the focus areas of supervision of prospectuses and disclosure obligation. The FIN-FSA made several supervisory visits related to the capacity to comply with the obligations of publicly traded companies.

The FIN-FSA conducted a theme survey on how listed companies complied with the ESMA[14] Guidelines on Alternative Performance Measures in their financial reporting. Many companies had room for improvement in the information they provide, for example in the justifications of the presentation of the performance measures.

Supervision of new alternative investment fund products was mainly conducted in the context of the market entry of new products. Supervision of asset management and investment advice was conducted on the basis of individual observations. In addition, the FIN-FSA continued its inspections related to the suitability assessments of investment advice and risk management in investment fund operations. As regards investment advice, more room for improvement was found in the suitability assessment process, while key findings of the inspections of risk management by fund providers were related to the arrangement of risk management and the adequacy of resources.

The FIN-FSA also conducted a thematic review on the organisation and resourcing of the compliance function by investment firms, management companies and alternative investment fund managers. A majority of the supervised entities had shortcomings for example in the organisation of the function, in ensuring its independence and in allocating quantitatively and qualitatively adequate resources for it.

Expertise related to the digitalisation of the sector and FinTech activities was strengthened by participating in FinTech meetings, by continuing the Innovation HelpDesk operation and by recruiting a Senior Digitalisation Expert to the FIN-FSA. The Innovation HelpDesk process was adjusted to better suit its core customer base.

Due to the new Payment Services Directive, new providers and services will enter the payment services market. Product and service development was indeed intensive, and the FIN-FSA received a high number of contacts and questions.

The availability of basic banking services is increasingly dependent on the customer's ability to use digital services. The FIN-FSA provided instructions to banks on the provision of basic banking services to customers incapable of using online services and payment cards.

Several significant and extensive regulatory changes entered into force at the beginning of 2018: MiFID II[15]/MiFIR[16], PRIIPs[17] and PSD2. Later in 2018, also the IDD[18] will enter into force. The FIN-FSA created new supervisory frameworks for new and changing supervisory tasks. However, the extensive scope of concurrent regulatory initiatives and the high number of changing and new supervisory tasks constituted a challenge. In addition, the partial incompleteness of the regulation hindered the finalisation of the supervisory frameworks. Supervisory preparedness was focused on the most critical areas. In other respects, the work continues in the current year.

An assessment was made of the application by supervised entities of basic payment account regulation, which changed at the beginning of 2017, the terms of credit contracts and the conditions of statutory motor liability insurance. A majority of credit institutions had taken the mandatory changes of consumer protection legislation in their contract terms adequately into consideration. During the year, there was also a survey on the impact of a payment default entry on the granting of insurance and, based on the survey, some of the companies were given suggestions for improving the content of information provided in advance.

The FIN-FSA played a key role in the work of the European Securities Markets Authority (ESMA), for example in achieving a definition of the interpretation of MAR[19] concept of closely associated entities with persons discharging managerial responsibilities that is consistent and usable from the perspective of the Finnish market. The FIN-FSA promoted common European prospectus supervision as the country chairing the relevant ESMA working group.

Nordic cooperation continued in the transaction reporting initiative and supervision of investment funds. In addition, cooperation began in the areas of MiFID II, FinTech and PSD2. In Finland, dialogue meetings were launched with auditors and audit firms.

LEI, Legal Entity Identifier

The LEI (Legal Entity Identifier) is an international corporate identification code whose use is becoming common, particularly in the financial sector. Reformed EU securities regulation (MiFID II, MiFIR and EMIR) requires that institutional customers are identified by a LEI in the transaction reporting on financial instruments and EMIR reporting related to derivatives transactions.

The LEI is a global entity identifier, which may be obtained from authorised entities administering LEIs in several countries. In Finland, LEIs are granted and managed by the National Board of Patents and Registration. The National Board of Patents and Registration may issue a LEI to a Finnish legal entity entered in the company or trade register, a foundation entered in the foundation register or another operator with a Finnish Business ID.

Further information on applying for a LEI is available on the website of the National Board of Patents and Registration:
https: //www.prh.fi/en/leicodes/for_applicants.html

[14]ESMA = European Securities and Markets Authority. | [15]MiFID = Markets in Financial Instruments Directive. | [16]MiFIR = Markets in Financial Instruments Regulation. | [17]PRIIPs = Packaged retail and insurance-based investment products. | [18]IDD = Insurance Distribution Directive. | [19]MAR = Market Abuse Regulation.

ESMA clarified the definition of managers' closely associated entities

In July, ESMA published a Q&A interpretation related to the Market Abuse Regulation (MAR), in which it clarified the interpretation of entities closely associated with persons discharging managerial responsibilities in an issuer. Previously, there had been lack of clarity about the matter due to, among other things, differences between the language versions of the Regulation. In summer 2016, the FIN-FSA issued an interim interpretation on the matter. The FIN-FSA participated in the preparation of the interpretation at ESMA.

The interpretation has a bearing on the entities that the members of the board of directors, managing director and other senior management of a listed company must declare as their closely associated entities. All such entities in turn fall under the obligation to report any transactions made by them on the issuer's financial instruments.

According to ESMA's interpretation, a person discharging managerial responsibilities or a natural person closely associated with him or her is considered to discharge managerial responsibilities in a closely associated entity where he or she takes part in or influences the decisions to carry out transactions in financial instruments of the issuer.

According to MAR, an entity is considered to be closely associated with a person discharging managerial responsibilities in an issuer also where

- it is directly or indirectly controlled by a person discharging managerial responsibilities in an issuer or by a natural person closely associated with him or her
- it is set up for the benefit of a person discharging managerial responsibilities in an issuer or of a natural person closely associated with him or her
- or its economic interests are substantially equivalent to those of a person discharging managerial responsibilities in an issuer or of a natural person closely associated with him or her.

A record of a FIN-FSA webinar on ESMA's interpretation is available (in Finnish) on the FIN-FSA's YouTube channel: https://youtu.be/o8YpCSjMcgg

More authority for ESAs to develop harmonised supervision?

In September, the Commission gave its proposal on the development of the European system of financial supervision. The Commission proposes more authority for the European Supervisory Authorities (EBA, EIOPA and ESMA, i.e. ESAs) to promote supervisory convergence, among other things. The ESAs should prepare a strategic supervisory plan, which would also steer the focus areas of supervision by the national supervisory authorities. Decision-making in matters where the representatives of the national supervisors may have conflicts of interests would be centralised in an executive board, independent of the national supervisors.

The Commission also proposed more direct supervisory tasks for ESMA, for example in the supervision of reporting, benchmarks, prospectuses and investment funds. Meanwhile, a coordination task related to the approval of internal models is proposed for EIOPA. The Commission's goal for the changes to enter into force in the first half of 2019.

Due to the withdrawal of the United Kingdom from EU, the EBA is also set to move to Paris.

Director General Anneli Tuominen is an ordinary member of the boards of supervisors of ESMA, EBA and EIOPA. She is also a non-voting member of the European Systemic Risks Board (ESRB). The FIN-FSA's representatives participate in the work of the ESAs with a focus on issues with importance for the Finnish financial markets. The FIN-FSA has 12 ordinary working group memberships in ESMA, 8 in EBA and 8 in EIOPA. In addition, there are four members in the working groups of the Joint Committee of EBA, ESMA and EIOPA.

Supervision of the sale of investment products

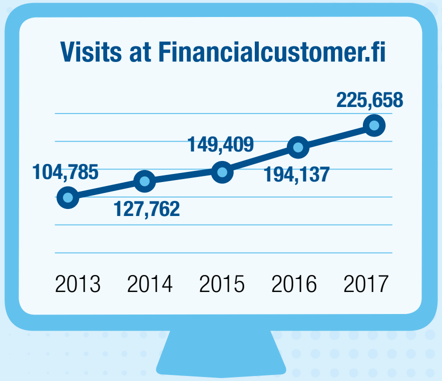
The FIN-FSA fosters compliance with good practice in the financial markets by supervising the sale of financial products both in terms of the information provided to investors and the conduct of the seller.

The objective of the supervision of appropriate conduct is to ensure the customers' investor protection. The FIN-FSA's strategy for 2017–2019 emphasises the significance of investor protection.

The FIN-FSA supervises the content of information provided to customers on investment products, for example in key investor information documents published on investment and alternative investment funds, and compliance with the disclosure obligation in providing investment products to customers.

The most popular content in the Financialcustomer.fi website

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



Source: The FIN-FSA.

In supervising conduct in the sale of investment products, attention is paid on any conflicts of interests between the customer and the seller, incentive schemes and the execution of suitability and appropriateness assessment of investment products for the customer. Another important part of the supervision of sales is assessment of the service provider's compliance function.

The thematic review of the compliance function of investment firms, management companies and alternative investment fund managers conducted in 2016–2017 showed that a large proportion of supervised entities had shortcomings in the organisation of this function. The compliance function is tasked with ensuring that the supervised entity complies with regulation, its internal instructions are up to date and adequate, and that its personnel are familiar with regulation-compliant conduct. A supervised entity's skilled, competent and well-organised compliance function ensures the appropriateness of the conduct in the sale of investment products.

A survey conducted by the FIN-FSA in spring 2017 on the knowledge and experience of investment firms' personnel was related to the legislation on investor protection, which is about to be reformed. For the first time in Finland, in 2018, requirements on knowledge and experience will be imposed on people selling investment products to customers. In connection with this new investor protection legislation, a survey on the expertise and experience of investment firms' personnel was conducted in spring 2017.

The FIN-FSA has continued the inspection of investment advisors and conduct in the sale of investment products, particularly as to how the seller had assessed the suitability of the product for the customer. In 2014, the FIN-FSA issued an opinion on how the sale and marketing of investment products to the elderly should be improved, and it has subsequently inspected the appropriateness of investment advice and related conduct. In spring 2017, four supervised entities received sanctions on the basis of the inspections made due to shortcomings in investment advice and the sale of investment products.

Regulation on the providing of investment products will be harmonised and regulation on sales will become more stringent in 2018 following a new act on insurance distribution. In the context of providing investment insurance policies, an assessment of the suitability and assessment of the investment product, similarly that made for other investment products, will also have to be made. At the same time, requirements on the avoidance of conflicts of interest between the customer and the seller as well as on the seller's competence and product governance will be introduced in regulation on the provision of investment insurance policies.

The amendments to the Investment Services Act took effect at the beginning of 2018. The changes implemented the requirements of the new MiFID II Directive (Markets in Financial Instruments Directive 2), for example by tightening the conditions on which investment products may be provided to customers. New requirements were set for the competence of sellers of investment products. Going forward, investment advisors will have to tell the customer whether their activities are independent, in which case the customer will pay the seller's fee, or non-independent, in which case a third party will also pay an inducement to the seller. The product governance obligation requires the seller of investment products to determine in advance which investment products are suitable for which customers. Also the suitability of an investment advice for the customer must be justified. The purpose of the new MiFID II Directive is the improvement of investor protection.

The regulatory year in brief

Banking sector

Amendments made to regulation on housing loans and basic banking services entered into force on 1 January 2017. These changes improved consumer protection in housing lending as well as the availability of services, among other things.

The Acts on Payment Services and Payment Institutions were reformed due to the PSD2. The amendment brought various payment services more extensively within the scope of regulation and supervision, and also opened up competition in the banking sector.

Regulation on basic banking services also changed at the beginning of the year. A significant change is the inclusion of online banking and strong electronic authentication as basic banking services.

During the year under review, the Act on Preventing Money Laundering and Terrorist Financing was also reformed. The FIN-FSA was heavily involved in the preparatory work for the Act. Application of the EU regulation on information accompanying transfers of funds (so-called 2FTR) began in the summer. During the year, ample guidance and statements by the European supervisory authorities was published on anti-money laundering and countering the financing of terrorism.

The set of macrostabilty tools was improved when the Parliament adopted at the end of the year an amendment of the Act on Credit Institutions enabling the imposition of a discretionary additional capital requirement (systemic risk buffer) on banks. The purpose of the buffer is to cover risks that may be arise from the structure of the banking system to the entire financial system and macroeconomic stability.

The IFRS 9 Standard Financial Instruments which entered into force at the beginning of 2018 amended, besides IFRS financial statements, also the national financial statements regulation applicable to banks. Banks have the possibility to embrace the transitional period provided by the EU CRR, in which case the changes of impairment recognition introduced by the IFRS 9 will have a staggered impact on capital adequacy calculation.

The European Banking Authority 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.

Negotiations continued in the EU Council and Parliament on a regulatory package published by the Commission in November 2017 aimed at improving banks' resilience[20]. The Commission proposal suggests changes to regulation on credit institutions' capital adequacy, liquidity and crisis resolution. Among other things, the Commission proposes a leverage ratio and the imposition of a binding net stable funding ratio. The package also includes requirements aimed at improving the loss-bearing capacity in a crisis situation.

The FIN-FSA-related matters that have received most media attention

1. Location of Nordea's headquarters
2. Risk weights for housing loans and long-term housing loans
3. Public warnings and penalty payments imposed for inadequate investment advice
4. Cross-Border Payments Regulation and ATM markets
5. Bitcoin and cryptocurrencies

Source: Media monitoring by the FIN-FSA.

Inclusion of online banking and strong electronic authentication as basic banking services is a significant change.

[20] The package includes Commission proposals for several separate amendments of regulations and directives including changes in capital adequacy and resolution regulation. Amendments are proposed to the EU Capital Requirements Regulation (CRR), the Credit Requirements Directive (CRD IV), The Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR).

Insurance sector

In the employee pension sector, several reforms entered into force as of the beginning of the year. The most significant ones were the pension reform and the reform of solvency regulation. Key features of the pension reform were the gradual rise in the retirement age and linking it to the life expectancy, stabilisation of the employee pension contribution and reduction of the fiscal sustainability gap. Rules affecting the accumulation of pension were also revised significantly. The partial old-age pension, which replaced the part-time pension, aroused a lot of public debate. A key objective of the solvency regulation was to take investment risks in particular better into account.

The new Motor Liability Insurance Act entered into force at the beginning of the year. The overall reform of the Act clarified existing regulation, for example through easing the no-claims bonus shcemes. At the same time, preparations were being made for future changes, for example an increase in automated driving. The reform increased competition, and companies launched new and reformed insurance products in the markets. At the end of the year, certain revisions were adopted in the Workers´ Compensation Act. Among other things, regulation concerning the FIN-FSA's supervisory powers was restored to its previous format; the FIN-FSA supervises the conduct of and actuarial matters pertaining to the Workers' Compensation Centre.

At the Commission's request, EIOPA continued reassessment of the solvency calculation for insurance companies. The FIN-FSA participated in the preparations, focusing on issues relevant for the Finnish insurance sector. EIOPA also renewed the methodology of determining the Ultimate Forward Rate (UFR) used in solvency calculation. The UFR declines gradually and as a result henceforth better reflects market rates.

Changes and clarifications were made in the FIN-FSA's set of regulations and guidelines concerning, among other things, accounting, financial statements and the report of the board of directors as well as the reporting of data. The regulations and guidelines concerning the governance of employee pension companies were entirely renewed.

A proposal for a decree on the creation of a Pan-European Personal Pension Product (PEPP) was discussed in the EU affairs sub committees of relevant ministries and in the Parliament's Commerce Committee.

Government proposal for an act on insurance distribution was finalised towards the end of 2017. The Act is intended to enter into force in January 2018, but the beginning of application of the Act was postponed at the EU level until the beginning of October 2018. The regulation will harmonise the regulation of

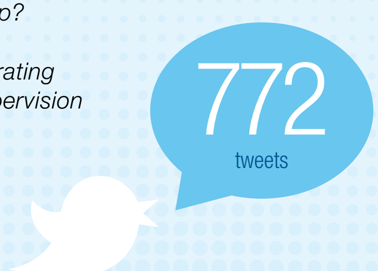
Reform of the Motor Liability Insurance Act increased competition and brought new insurance products to the market.

Twitter: Daily instant messaging

The FIN-FSA's Twitter account had 2,080 followers on 31 December. During the year, the FIN-FSA tweeted 772 times. The account closely monitors communications by the EU's financial supervisory authorities and tweets on, among other things, 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:

- *Which information is necessary when a bank establishes a new basic banking customer relationship?*
- *The FIN-FSA's Anneli Tuominen: It is very good that a significant bank operating in Finland is to fall within the scope of supervision of the banking union.*
- *Kaisa Forsström appointed as Head of the new Insurance Supervision department as of 11 September.*



Join the followers! Twitter.com/FIN_FSA investment insurance policies relative to other investment products and expand the professional competence requirements for the insurance sector as well as the requirements concerning conduct and product governance. Following the Act, the FIN-FSA's registration and supervision tasks will increase, and the FIN-FSA will be vested with, for example, the authority to impose a penalty payment.

Securities sector

The reformed financial markets directive (MiFID II) was implemented nationally towards the end of the year. The amended legislation entered into force on 3 January 2018. Amendments of the FIN-FSA's set of regulations and guidelines due to the legislation are to be made in early 2018.

A national act on representatives of bond holders entered into force in September. The purpose of national legislation is to improve the efficiency of the operation of the bond markets, and hence improve companies' access to finance. If a prospectus is made on a bond or a public listing for a bond is sought and a representative of bond holders is appointed, the representative must be registered by the FIN-FSA.

Acts related to the national implementation of the EU Regulation on central securities depositories entered into force in June.

An EU Regulation on money-market funds was issued in June. The Regulation will apply as of 21 July 2018. In addition, amendments to the regulations on European Venture Capital Funds (EuVECA) and European Social Entrepreneurship Funds (EuSEF) were adopted towards the end of the year. These amendments are part of the action plan for the capital markets union and will apply as of 1 March 2018.

A regulation on simple, transparent and standardised securitisation was issued later during the year. At the same time, the capital requirements for banks and insurance companies concerning securitisation conducted in accordance with the Regulation were eased. The regulation will apply as of 1 January 2019.

The Commission gave its proposal on amendments to the so-called EMIR Regulation concerning OTC derivatives. In addition, the Commission proposed that the supervision of central counterparties be centralised in ESMA.

The FIN-FSA also participated in the preparation of level 2 regulation concerning the Prospectus Regulation at ESMA and in working groups of the Ministry of Finance preparing the overall reform of investment funds legislation and the national implementation of the Directive amending the Shareholder Rights Directive.

Seminar on the theme of FinTech and financial services in 2022

The annual seminar continued on last year's theme, the digitalisation of the financial sector, and attracted some 330 participants. The presentations and speakers of the day were:

- **Opening remarks** Anneli Tuominen, FIN-FSA
- **Digitalisation, the financial sector and society** Olli Rehn, Bank of Finland
- **How to build AI for the financial sector** Peter Sarlin, Silo AI
- **The Commission's approach to financial sector digitalisation** Peter Kerstens, European Commission
- **Keys to success in the new competitive environment** Ewan MacLeod, Nordea

Both Anneli Tuominen and Olli Rehn highlighted the risks of cryptocurrencies for investors in their speeches. The FIN-FSA also issued a press release warning of the risks related to cryptocurrencies.

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

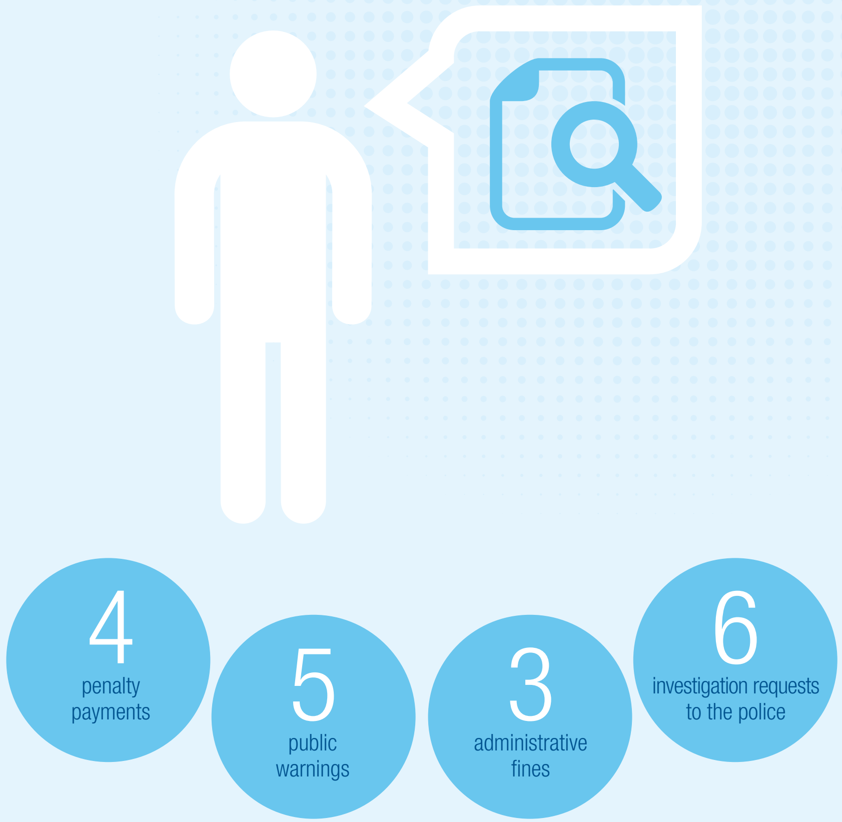
The FIN-FSA warned: cryptocurrencies are very high-risk investments

Cryptocurrencies refer to digital representations of value circulating from one holder to another without a centralised accounting system. The most widely-known cryptocurrency, bitcoin, was originally developed as an instrument of payment, but its use in this purpose has so far been rather limited. Bitcoins can be used in Finland in a few online and retail shops and restaurants.

Bitcoin and other cryptocurrencies are speculative investments. Their value formation has no tangible foundation. No one pays any actual return on bitcoin, such as dividend or interest. The expected return is solely based on expectations of someone else purchasing the asset for a higher price at a later date. This kind of investment activity always involves significant risks. The downside to investments is that citizens may not identify or carefully assess the risks related to the phenomenon.

The market prices of bitcoin and other cryptocurrencies have shown sizable fluctuations. The price of bitcoin rose steeply towards the end of 2017, and therefore cryptocurrencies attracted a lot of publicity. In November, the FIN-FSA issued a warning on the risks related to cryptocurrencies and emphasised that cryptocurrencies are very high-risk investments.

The number of administrative sanctions issued and requests for police investigation



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 the objectives and compliance with these principles. In addition, the Board, among other things, discusses the budget of the FIN-FSA and submits it to the Board of the Bank of Finland for confirmation. In accordance with section 10 of the Act on the Financial Supervisory Authority (878/2008), the Board submits to the Parliamentary Supervisory Council at least once a year a report on the operational objectives of the FIN-FSA and their achievement.

Until 31 January, the Board was chaired by LLM (trained on the bench), MSc. Econ, Deputy Governor of the Bank of Finland **Pentti Hakkarainen**.

The secretary to the Board is Senior Legal Advisor **Pirjo Kyyrönen**. The Board convened 34 times during the year. Fees to the members and deputies in the year totalled EUR 54,278.57. No separate attendance allowance was paid.

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

Chair **Olli Rehn**
PhD,
Deputy Governor,
Bank of Finland
(as of 1 February)
(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

Outi Antila
LLM (trained on the bench), Director-General, Ministry of Social Affairs and Health
(Deputy member: **Mikko Kuusela**, PhD, SHV[21] Senior Actuary, Ministry of Social Affairs and Health, until 7 February); **Hannu Ijäs**, LLM (trained on the bench), Director, Ministry of Social Affairs and Health, as of 9 February)

Pirkko Juntti
LLM
(trained on the bench)

For more information, see:
The Board's report to the Parliamentary Supervisory Council was published in March 2018 at Finanssivalvonta.fi > Julkaisut ja tiedotteet > Johtokunnan kertomus pankkivaltuustolle

[21] Actuary accredited by the Ministry of Social Affairs and Health

Management Group

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

Kaisa Forsström
LLM, Head of Insurance Supervision (as of 11 September)

Jyri Helenius
MSc Eng, Head of Prudential Supervision (until 31 August)
Head of Banking Supervision (as of 1 September)
Deputy Director General (as of 2 March)

Pirjo Kyyrönen
LLM (trained on the bench), Senior Legal Advisor, secretary to the Management Group

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

Samu Kurri
MSocSc, Head of Institutional Supervision (as of 1 February until 31 August)
Head of Financial Analysis and Operational Risks (as of 1 September)

Erkki Rajaniemi
(not in photo)
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
(not in photo)
LLM (trained on the bench), Deputy Director General, Institutional Supervision (until 31 January)

The FIN-FSA's organisation structure was changed on 1 September.

The management group convened 71 times during the year. The Director General's salaries and fees totalled EUR 205,821.60. Salaries and fees paid to the other management group members totalled EUR 695,732.51.

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 > OrganisationFin-fsa.fi > About us > Organisation

For more information, please see:
The personnel audit for the year under review will be published in spring 2018 (in Finnish) at Finanssivalvonta.fi > Tietoa Finanssivalvonnasta > Avoimet työpaikat

Number of the FIN-FSA personnel and their duties

	Women		Men		Total	
Management	9	50%	9	50%	18	10%
Experts	91	63%	53	37%	144	80%
Operative staff	17	94%	1	6%	18	10%
Total	**117**	**65%**	**63**	**35%**	**180**	**100%**

Appendices

Total number of supervised and other fee-paying entities

Fee-paying entities	31.12.2016	31.12.2017
Credit institutions	276	268
Investment firms	67	66
Fund management companies and AIFMs	39	42
Securities issuers	171	167
Stock exchange, clearing corporation	1	1
Finnish Central Securities Depository	1	1
Other fee-paying entities in the financial sector	156	162
Financial sector, total	**711**	**707**
Life insurance companies	11	10
Non-life insurance companies	38	36
Pension insurance companies	6	5
Unemployment funds	28	26
Pension foundations and funds	52	52
Sickness funds and other insurance funds	126	124
Insurance associations	6	5
Insurance brokers	76	87
Public sector pension funds	3	3
Other fee-paying entities in the insurance sector	39	43
Insurance sector, total	**385**	**391**
All supervised and other fee-paying entities, total	**1,096**	**1,098**

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

Expenses and funding

Expenses and funding, EUR thousands	2016	2017*
Staff expenses	15,982	15,489
Staff-related expenses	880	964
Other expenses	3,416	3,522
Services	863	1,013
Real estate expenses	1,319	1,321
Other expenses	1,234	1,188
Depreciation	583	912
Bank of Finland services	4,884	4,751
Total expenses	**25,745**	**25,638**
Funding of operations		
Supervision fees	21,643	23,717
Processing fees	1,527	1,828
Other income	0	37
Bank of Finland's contribution: 5% of expenses	1,287	1,282
Surplus carried over from the previous year	2,786	1,499
Surplus carried over to the next year	-1,498	-2,725
Total funding	**25,745**	**25,638**

**The figures for 2017 are unaudited and unconfirmed.*

Set supervision fees

Fee-paying entities, EUR thousands	2016	2017
Credit institutions	10,536	8,879
Investment firms	1,080	1,266
Fund management companies and AIFMs	1,554	2,118
Securities issuers	1,631	2,297
Stock exchange, clearing corporation	265	338
Finnish Central Securities Depository	165	229
Other fee-paying entities in the financial sector	381	552
Financial sector, total	**15,612**	**15,679**
Life insurance companies	1,025	1,310
Non-life insurance companies	1,287	1,606
Pension insurance companies	1,735	2,220
Unemployment funds	1,038	1,334
Pension foundations and funds	210	268
Sickness funds and other insurance funds	72	96
Insurance associations	4	5
Insurance brokers	72	110
Public sector pension funds	474	623
Other fee-paying entities in the insurance sector	169	228
Insurance sector, total	**6,086**	**7,800**
Adjustment items carried over from previous years	- 55	238
Fee-paying entities, total	**21,643**	**23,717**

Processing fees

Fee-paying entities, EUR thousands	2016	2017
Credit institutions	58	33
Investment firms	60	73
Fund management companies and AIFMs	846	806
Securities issuers	165	221
Other fee-paying entities in the financial sector	53	50
Financial sector, total	**1,182**	**1,183**
Insurance companies[1]	47	345
Unemployment funds	20	18
Pension foundations and funds	16	28
Sickness funds and other insurance funds	31	44
Insurance brokers[2]	222	181
Other fee-paying entities in the insurance sector	9	29
Insurance sector, total	**345**	**645**
Fee-paying entities, total	**1,527**	**1,828**

[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 30 occasions. The FIN-FSA was requested to make 31 submissions on draft Finnish legislation and 75 other submissions in its field of competence.

Journal

Items initiated in the FIN-FSA's journal (main functions and their major categories)	Number
Management	132
Regulation	70
Supervision	2,527
Examples of categories:	
Notifications; branches and cross-border activities	465
Articles of association, by-laws and regulations; confirmation and changes	194
Prospectuses	195
Letters by private citizens	233
Fit & Proper reports	382
Inspections	28
Authorisations; granting and expansion	32
Other	296
Examples of categories:	
Domestic cooperation	80
International cooperation	7
	3,025

In addition, 529 new applications for registration and 1,739 applications for change were processed in the insurance agent register outside the scope of the Journal.

112
requests for information

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