

Contents

The Financial Supervisory Authority in brief	2
Director General's review	3
Strategy	6
The operating environment and financial position of supervised entities	7
Risk-based supervision and regulation as well as operational efficiency	9
Supervised entities' strong risk-bearing capacity and high-quality governance	11
The regulatory year in brief	12
High-quality customer and investor protection	13
Productive cooperation between supervisors and other authorities	16
Comprehensive assessment	18
The Board of FIN-FSA	19
Management group	20
Appendices	21

The Financial Supervisory Authority in brief

The Financial Supervisory Authority (FIN-FSA) is the authority for the supervision of Finland's financial and insurance sectors and is part of the European system of financial supervision and the Single Supervisory Mechanism, the common banking supervision for the euro area.


The activities of the FIN-FSA are aimed at ensuring financial stability and maintaining confidence in the financial markets. The entities supervised by it include banks, insurance and pension institutions and other actors in the insurance sector, investment firms, management companies, the central securities depository as well as 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.

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 a high quality
- financial market practices are appropriate
- payment systems are secure

We operate in support
of stable European
financial markets.



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

Unless otherwise indicated, all texts refer to the review year 2014.

Director General's review

The financial sector must prepare for a weakening of the operating environment

The Finnish economy has been in a recession for the past three years, and the economic outlook continues to be more fragile than in many other euro area countries. However, the financial sector has fared well, so far. Banks' capital adequacy has remained solid, and investment returns in the insurance sector have been at a satisfactory level despite the low level of interest rates. Even though the economic situation appears relatively stable at the moment, the financial sector must remain prepared for more turbulent times. It should be borne in mind that banks' non-performing assets and credit impairment losses have remained exceptionally low, largely due to the low level of interest rates and the cost-cutting and efficiency improving efforts by corporate sector borrowers. If the economy does not start picking up soon, business volumes, and lending volumes in particular, will contract. Banks will have to grant forbearances, and the amount of non-performing assets and impairments will inevitably grow. Weak economic development has a two-fold impact especially on the non-life insurance sector: on the one hand, it diminishes economic activity and hence the number of loss events; on the other hand, the declining premium income constitutes a hindrance to the sound growth of insurance activities.

The low level of interest rates may encourage individual supervised entities to invest -

contrary to their own risk-taking strategy or profile - in risky instruments, such as equities, alternative investments or high-yield bonds. Valuations in certain asset segments are already historically high, and the exceptional monetary policy measures by central banks, seeking to achieve inflation targets, may contribute to the emergence of asset bubbles. Therefore, it is advisable for supervised entities to prepare for the consequences of sudden drops in asset values. The impact of rapid corrections in securities' prices would be particularly detrimental to insurance companies seeking high yield. Since the investment outlook is unclear, many companies have opted for a conservative investment policy.

In order to prepare for the risks stemming from the uncertain state of the economy, the European supervisors have required banks and insurance companies to maintain sufficient capital buffers and recommended supervised entities to pursue a conservative dividend policy.

New era in banking supervision

The change of the century in banking supervision. This is how the migration of the euro area into common banking supervision could be characterised. The Single Supervisory Mechanism (SSM) was officially launched on 4 November, but a taste of the system to come was felt last spring, when we began preparations for a comprehensive assessment (CA), covering an asset quality review (AQR) and stress tests of the

banks which were to become directly supervised by the European Central Bank (ECB). The effort, unique in its massive scope, was finalised in October. The review was made under the auspices of the ECB and in compliance with its strict quality criteria. The FIN-FSA conducted the review in a cost-effective manner relying largely on its own staff, thus gaining valuable skills and know-how.

The objective was to both strengthen the risk bearing capacity of significant euro area banks by assessing the sufficiency of their capital in stress scenarios, and also to increase the mutual comparability of the banks. These objectives were achieved, at least for the most part: a large amount of previously unpublished information was published on the banks, and banks failing the comprehensive assessment were required to strengthen their capital base. However, perfect comparability is impossible as long as regulation is not implemented in a consistent way and there is room for national discretion in the different member states. The migration to full harmonisation may take all the way to 2023. It is important to seek to clear out national differences even sooner, because a level playing field between the banks would not otherwise materialise.

The early stages of the SSM have been very labour intensive. In practice, the new supervision has not, at least so far, moved the focal point of supervisory work to Frankfurt. Over 75% of the work of supervising the systemically important banks is still per-



formed by the national authorities, which also directly supervise all the smaller banks. The direct supervision by the ECB along with new banking regulations have increased the number and scope of data collections conducted by the national supervisors. As a new task, representatives of national supervisory authorities now participate, as members of the Supervisory Board, in the decision making concerning all banks under the ECB's direct supervision.

The SSM has not only increased the national supervisors' understanding of the

risks of the euro area banking sector as a whole, but has also harmonised supervision in the euro area and improved discipline within the euro area banking sector and in banking supervision. The new regulator has proven able to make decisions on difficult questions and matters of principle. Through its high-quality and intrusive supervision, it is able to reinforce the euro area banking sector and prevent crises in the future.

Supervisor's tools in order

It is important for the supervisor to have a sufficient toolkit that can be used to intervene in the operation of a supervised entity at the first signs of heightened risks, when normal supervisory measures, such as demands to strengthen governance, are not enough. The supervisor must be able to require more capital than the minimum level, when the activities of a supervised entity involve higher risk. The Credit Institutions Act, which entered into force in August, provided the FIN-FSA with more extensive opportunities to set a discretionary additional capital requirement (so-called Pillar II), if a bank's capital adequacy is insufficient relative to the risks of its activities. The Act was further amended in the beginning of 2015 to require banks to keep recovery plans, which can be used at an early stage to take remedial measures in order to restore its viability. If the remedial measures are insufficient, the FIN-FSA may take up early intervention measures under the Act, such as requiring recapitalisation of the bank or scaling down its risky business. When Solvency II enters into force in the beginning of 2016, the FIN-FSA may also raise the capital

requirement for life and non-life insurance companies, if the risks inherent in their operations so require.

In connection with the solvency reform of the pension insurance sector, the FIN-FSA proposed that comprehensive requirements, concerning risk and solvency management, be included in the draft Act. These would have created a much needed tool for risk management and internal control for the companies. Unfortunately, these requirements were left outside the legislative proposal.

New macroprudential tools to be implemented

A significant reform of regulation entered into force at the beginning of this year, when the FIN-FSA was vested with powers to tighten the capital requirements for banks, in particular if their lending growth reaches unsustainable levels relative to economic growth. In the past, the probability of banking crises has been effectively predicted by the ratio of lending growth and long-term GDP trend growth. As of July 2016, the FIN-FSA can also set a binding limit on the amount of housing loans relative to the value of the collateral provided.

The lessons learned from the financial crisis have influenced the development of the new macroprudential tools. In assessing the reasons leading to the crisis, it was observed that housing and real-estate lending grew uncontrollably in some of the countries where the crisis subsequently escalated. This led to a housing or real-estate bubble which, when it burst, got the banking sector into problems and in the worst cases the entire economy lost its creditworthiness. National authorities



Banks must keep recovery plans, which can be used at an early stage to take remedial measures in order to restore its viability.

have lacked the tools to intervene in time to curb the excessive growth in their domestic credit markets. Therefore, it was deemed important to lay down a Directive enabling the use of the macroprudential tools and, furthermore, to provide the ECB with the possibility to raise the additional capital requirements proposed by the respective national supervisory authority in the euro area.

The macroprudential decisions will be made by the FIN-FSA's Board, but they will be prepared through extensive cooperation between various authorities. On the basis of jointly produced and thorough analysis, the FIN-FSA's Director General will make a proposal on the implementation of macroprudential tools. The Bank of Finland, the Ministry of Finance and the Ministry of Social Affairs and Health will give their opinions on the proposal before the preliminary decision by the Board. The ECB is also consulted for an opinion, before the final decision. This extensive preparation, at many levels, ensures high-quality decision making where different points of view are taken into account. This is important since

decisions concerning the use of macroprudential tools may have a major impact on lending, the housing markets and the terms and conditions of housing loans.

New regulation requires learning new things and new operating models

Several directive-level regulatory initiatives for the financial sector are about to be finished soon. However, we cannot yet let up, since it takes time to absorb regulation and adapt to it. In particular, the adoption of Solvency II in the insurance sector requires major changes in daily operations. The results of a stress test conducted by the European Insurance and Occupational Pensions Authority (EIOPA) last year showed that Finnish insurance companies were not yet completely in the shape required by Solvency II.

New regulation also necessitates changes to be made at the FIN-FSA. Supervision will have to be more proactive and comprehensive, which requires a new kind of expertise. This year, supervision will focus particularly on insurance companies' governance systems, mark-

to-market valuation of the balance sheet and meeting future solvency requirements.

An Act on corporate governance for employee pension entities entered into force at the beginning of the year. It covers many important issues related to corporate governance. A public register of insiders, ownership control principles adopted by the board of directors, and increased disclosure obligations will significantly improve the transparency of the governance of employee pension companies. This is a significant step forward. Another important topic is the solvency reform for employee pension entities, where the aim is to take into account all material risks in investment and insurance activities. The legislative proposal will outline the entire solvency mechanism in a new way, which at the same time requires changes in the supervisory methods of the FIN-FSA.

Capital Markets Union – financing growth

High expectations have been placed in the Capital Markets Union, since the European financial markets are highly bank-driven,



and bank lending, particularly to small and medium-sized enterprises, has tightened in recent years. Unlike the banking union, the Capital Markets Union does not refer to a common supervision of the capital markets. Instead, it means laying the foundations for efficient European capital markets and facilitating the financing of growth. The Commission has just recently published a green paper to promote the initiative. An important question for Finland is access to finance for small and medium-sized enterprises. How can we strike an appropriate balance between the onerous reporting and disclosure requirements of capital raising SME (small and medium-sized enterprises) issuers, and the investors' justified need for information?

In Finland, national regulation for listed companies has already been streamlined to great extent. Nevertheless, as an example, we could still remove from legislation the mandatory quarterly reporting. This would enable the reporting frequency of companies to be set by the investors' needs for information. Crowdfunding is a newcomer to the group of financ-

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ing channels. However, it must be borne in mind that even if a lighter regulatory framework were created for crowdfunding, at the same time efforts would have to be made to ensure that investors and the enterprises alike understand the limitations and risks of crowdfunding. Alternative investment funds can also be considered an important source of funding. Questions related to investor protection must be assessed carefully when alternative investment funds, with considerably different investment profiles, are being marketed to retail investors. In processing Alternative Investment Fund Manager (AIFM) authorisations, the FIN-FSA particularly underlined the importance of appropriate risk management and portfolio management for alternative investment fund managers, as well as investor protection. Last year, the FIN-FSA processed considerably more authorisations and applications relating to the fund sector than usual.

Efficiency sought through organisational reform

Last year, the FIN-FSA implemented an organisational reform, partly reintroducing earlier tested structures. The separation into different departments of functions concerning the same sector has not proved to be the most efficient operating model, and therefore it was given up, in some respects. In the new organisation, the supervision of key risks in the insurance sector has been centralised into the Institutional Supervision department. Furthermore, a code of conduct of supervision of all sectors has been brought together with Market Supervision. Based on our brief experience, I am able to state that the reform has met expectations.

The sector specificity of the FIN-FSA's set of regulations and guidelines has been increased. The reform seeks to improve the usability and clarity of the set. The objective is to replace overlapping and outdated regulation as well as to ensure that the guidelines and regulations are up to date, easy to use and interpretation is uniform.

Safeguarding the funding base of high quality supervision is important

The Act on the Financial Supervisory Authority and the Act on the Supervision Fees of the Financial Supervisory Authority concerning the covering of the FIN-FSA's expenses are currently being reformed, among other things, due to the establishment of the SSM. The reform is welcome, since supervision is becoming increasingly diverse and demanding, with new responsibilities and tasks already included and possibly yet to be included in the scope of supervision. It is important to ensure, that the funding base, and as a consequence also supervision, will not deteriorate if there are sudden changes within the financial sector. The FIN-FSA has been able to meet its responsibilities in a cost-effective manner. Also in the future, high quality supervision is made possible only through a solid funding base.

Once again, I would like to extend my gratitude to the FIN-FSA personnel for their flexibility, high level of professional expertise, high-quality work, diligence and outstanding working atmosphere.

Helsinki, 2 March 2015

Anneli Tuominen

Strategy of the Financial Supervisory Authority (FIN-FSA), 2015–2017

The following pages describe our operations broken down in accordance with the strategy adopted for 2014–16.

Mission

Our primary objectives are to promote financial stability and confidence and to enhance protection for customers, investors and the insured.

Vision

The Financial Supervisory Authority is a highly respected and influential player within the European supervisory framework.

Values

Dynamic | Responsible | Productive | Together

Strategic choices

Risk-based supervision and regulation as well as operational efficiency

- Making use of timely analysis, we enable proactive and well-focused supervisory measures
- We emphasise the role of inspections and on-site visits in our supervisory work
- We promote consistent application of sound financial market practices. We take firm action whenever abuse and omission is detected
- We focus on regulatory initiatives that are key to the financial markets or to our supervisory work
- We develop our working practices to reflect changes in the operating environment. We foster staff competence, reinforce work processes and encourage activities consistent with our values

High-quality customer and investor protection

- We require that service providers' internal procedures take account of the requirements of customer and investor protection
- We require high-quality information to investors and reporting procedures that support this
- We widen the scope of our stock exchange trading supervision via European cooperation
- We enhance the reach of our customer information, together with other market participants

Strategic objectives

- Effective prevention of problems that threaten the stability of and confidence in financial markets.
- Provider of high-level expertise within the European supervisory framework.
- The quality of the Financial Supervisory Authority's activities ranks among the top range in Europe, its operational efficiency among the best in the Nordic countries.
- Proportionate and impartial regulation and supervision.
- Responsible provision of financial services and products for the Finnish financial markets.

Supervised entities' strong risk resilience and high-quality governance

- In our supervisory work, we focus on safeguarding the prerequisites for sound business activity
- We require that supervised entities' boards of directors arrange for high-quality risk management and internal control
- We require that capital adequacy and liquidity buffers cover material risks
- We emphasise the effectiveness of recovery and resolution plans
- We conduct efficient macroprudential supervision

Productive cooperation between supervisors and other authorities

- We exert influence via EU-level regulatory and supervisory work on issues key to the Finnish financial markets
- We promote adoption of best supervisory practices within the EU and develop our supervision accordingly
- We foster the conduct of credible and effective supervision within the Single Supervisory Mechanism (SSM) and uniform supervision in the Nordic countries
- Within the SSM, we focus on significant supervisory issues and decisions
- We are active in drawing on cooperation between competent authorities

For more detailed information, please see: fin-fsa.fi > Publications and press releases > Annual reports > Annual Report 2013 (page 6).

The operating environment and financial position of supervised entities



Supervised entities and other fee-paying entities totalled

1,024

Operating environment characterised by recession

The economy grew at a very sluggish pace and unemployment remained high in almost every EU country. In Finland, the recession continued and unemployment increased. Standard & Poor's downgraded the credit rating for Finnish government debt, however this did not increase the price of funding for the government or banks.

Lower oil prices and the sluggish economy dampened euro area inflation, which slumped to negative levels at the end of the year. The interest rate level continued to decline. The ECB launched new targeted and longer-term open market operations with a view to improve the channelling of monetary policy to the real economy.

Equity prices rose on the back of monetary policy stimuli in many countries, albeit the developments were much more unstable in the latter half of the year compared with the first. The reasons underlying these developments included rapid shifts in market expectations, the conflict between Russia and Ukraine and a deterioration of the global outlook in the autumn. The US Federal Reserve halted its securities purchase programme when it foresaw stronger economic growth.

The situation in Southern European countries stabilised, but the ability and willingness of the Greek government to service its debt obligation re-emerged as a concern towards the end of the year. While the yields

on government bonds decreased in general, for Greece they again reached levels where the country is unable to manage its funding at market terms.

Sluggish credit conditions

Credit stock growth was slower than in previous years and, for example, the stock of households' housing loans grew only by 1.7 percentage points during the year.

Household indebtedness increased, albeit slowly. The interest burden on households has, for the time being, remained minor due to the variable and low reference rates used. The external balance of the entire economy, as measured by current account, improved, which is positive from a macroprudential point of view.

House prices declined in both nominal and real terms. The moderate decline of house prices has been consistent with the dampened credit growth. Prices declined both in the Helsinki Metropolitan Area and across the country.

Capital adequacy of the Finnish financial sector remained solid

The profitability of the banking sector improved somewhat, since banks developed their business models and cut expenses prompted by the sluggish economic situation. Finnish banks' funding functioned well, and the low level of interest rates reduced its costs. Lending increased slightly, although

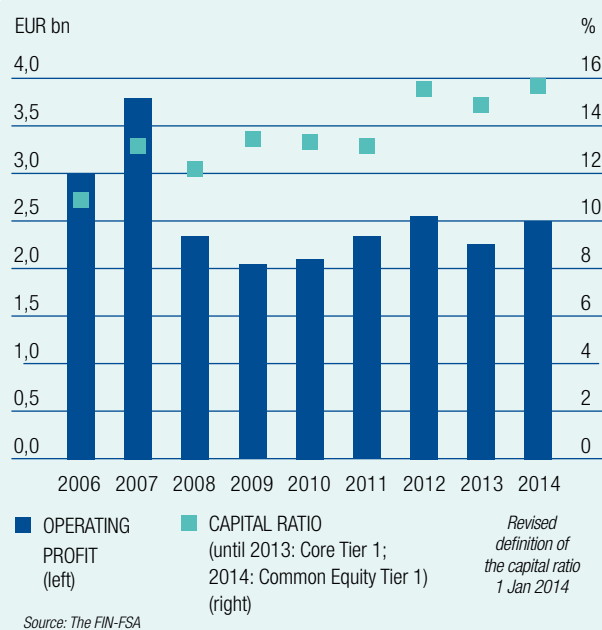
the growth rate decelerated. Net interest margin improved, largely due to the lower cost of funding. The improved net interest margin together with fees and commissions compensated for the growth of expenses and reduced trading income. Capital adequacy remained strong, since the operation of the banking sector was profitable, and impairment losses were low.

Despite the unstable economic situation, the solvency buffers of the insurance and employee pension sectors increased in euro terms and investment income increased, with the exception of the employee pension sector. Risk-based solvency positions remained at a good level. Another positive development was the increase of premiums written in the non-life and life insurance sector at a rate higher than overall economic growth.

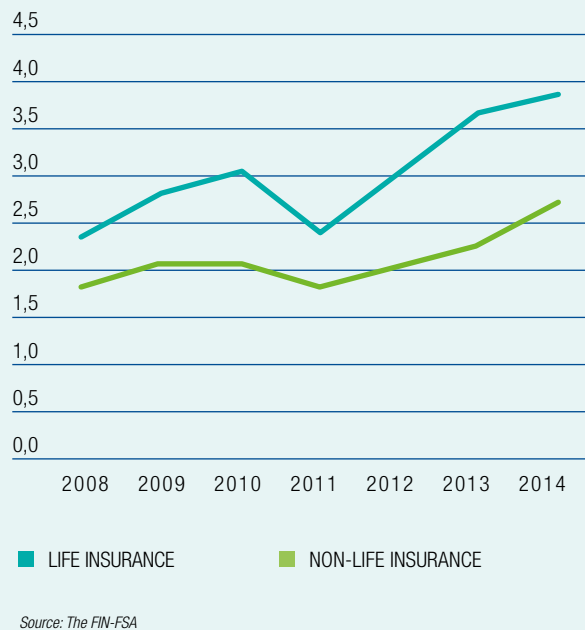
The investment allocation of the insurance and pension sectors remained broadly unchanged. In the insurance sector, investment risks were not increased to any signif-

Despite the unstable economic situation, risk-based solvency remained at a good level.

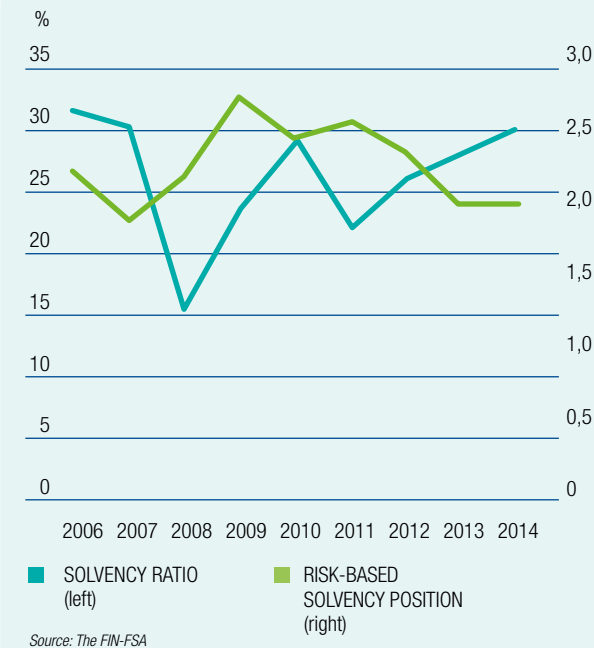
Operating profit and capital ratio of the domestic banking sector



Risk-based solvency position



Employee pension companies



icant degree, although the low interest rate level reduced interest income, particularly on low-risk investments. In contrast, the risk level of the pension sector increased steadily. Key themes in the financial markets, Russia and the declining oil prices, did not have a material impact on the investment activities of the insurance sector, since the exposures were so low. On the other hand, the third theme, appreciation of the dollar, increased returns, since the companies had left part of their dollar exposures unhedged.

Growth in savings and investment products

Deposits by non-MFIs increased somewhat from the previous year (2.0%) to EUR 145 billion, at the end of December. The stock of household deposits decreased, but corporate deposits increased.

Assets under management by fund management companies, as well as net subscriptions in investment funds, continued to increase. Fund assets exceeded the threshold of EUR 80 billion during the second quarter, and at the end of December

they totalled EUR 86.1 billion, reaching an annual growth of 14.3%.

Life insurance savings grew steadily throughout the year, exceeding EUR 40 billion, at the end of June. At the end of December, life insurance savings totalled almost EUR 43 billion, 12% more than a year earlier. Growth was fastest in unit-linked capital redemption contracts. This type of insurance savings increased by about 40% during the year.

At the end of 2014, the solvency position remained at the same level as a year earlier, although the amount of solvency capital relative to the technical provisions (solvency position) increased. This reflects an increased risk level of investments.

The analysis report 'Financial position and risks of supervised entities 1/2015' to be published in April contains an extensive analysis of the state of the sectors and their key figures, as at 31 December 2014.

Risk-based supervision and regulation as well as operational efficiency

Exceptionally demanding year in the development of reporting systems

In terms of the development of data collection systems and surveys, the past year was exceptionally demanding since supervisory data collections at EU level underwent extensive reforms, while new collections were launched for the purposes of the ECB's banking supervision. Some of the data collection projects were finalised as planned, but the implementation of the capital adequacy reporting (COREP) was delayed considerably. Delays in the COREP reporting project also impacted on the development of the data collection application for the reporting of alternative investment funds (AIFM). Extensive data collections and information analysis are more central than ever before to supervision.

Preparation of macroprudential supervision proceeded as planned

Preparations for macroprudential supervision proceeded. The structure of the analytical report was fine-tuned and the decision-making process was tested together with the Bank of Finland and the Ministry of Finance. The Board of the FIN-FSA will make the first decision on the use of macroprudential tools in March 2015.

An operational process as well as indicators for analysis were put in place in order to identify exceptional conditions for the employee pension sector.

The FIN-FSA published two extensive and two more brief assessments of the financial position of supervised entities, as well as four Markets newsletters concerning current regulatory initiatives at the European Securities and Markets Authority (ESMA) and supervisory observations. In addition, the FIN-FSA publications included annual analyses of the profitability of statutory workers' compensation insurance (2002–2013) and compliance with the principle of equity in life insurance (2012), a statistical publication on unemployment funds (2013) and a report on IFRS supervision (2013).

The FIN-FSA participated in the work of the European Banking Authority (EBA) to produce a definition of Other Systemically Important Institutions (O-SII) in the financial system. The guidelines were completed in December. The FIN-FSA prepared its own framework for identifying nationally important institutions and the principles of determining additional capital requirements on the basis of EBA guidelines. The preparations will be completed in early 2015.

The reporting project for the Solvency II transitional period was launched in the autumn, and is intended to be completed in March 2015. The project is geared at reforming the solvency reporting by life and non-life insurance companies and aligning it with EU regulation.

Extensive data collections and information analysis are more central to supervision than ever before.

What changes will be brought about by Solvency II?

In the new solvency framework, technical provisions and investments will be valued at market prices, and capital will be reserved for all quantifiable risks to which the company is exposed.

The quantitative risk assessment is complemented by qualitative requirements for risk management and internal control. The duties and responsibilities of the company's board of directors are stressed.

Common European supervision methods and harmonised reporting will be adopted.



More administrative sanctions being processed than before

The FIN-FSA processed more sanctions cases than in 2013. However, there was no change in the number of administrative sanctions issued and requests for police investigation. The cases processed included many new questions of policy and interpretation, and for example the principles of determining the amount of penalty payment had to be applied for the first time. A total of five administrative sanctions were issued, comprising two administrative fines, two public warnings and one penalty

payment. Three requests for investigation were made to the police.

The party charged with paying the penalty has filed a complaint with the Market Court, and therefore the matter is still in process. The other sanctions are legally valid.

Organisational change enhanced supervision

The merging of the Market Supervision and Conduct of Business Departments enhanced the supervision of investment products and their provision, in particular. In the insurance sector, the foundations were

laid for more comprehensive supervision of risks and solvency, as required by Solvency II regulation. The needs for change in the banking sector will be evaluated after sufficient experience has been gathered from supervisory cooperation with the ECB.

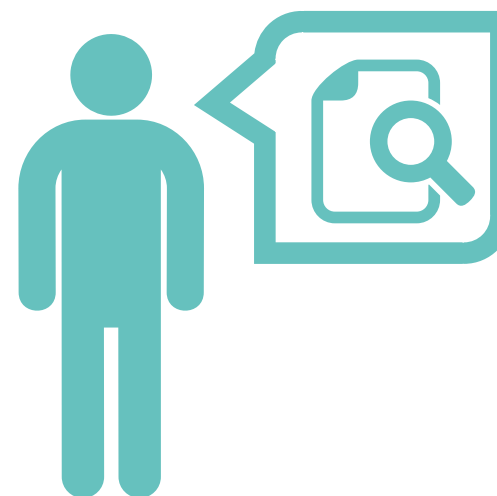
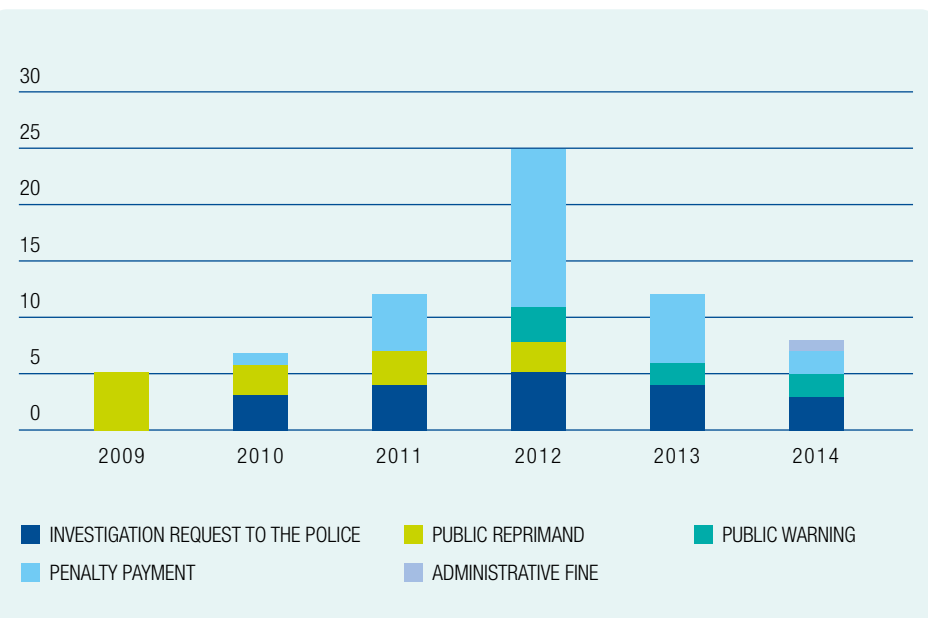
[For more detailed information, please see: \[Fin-fsa.fi\]\(#\) > \[About us\]\(#\) > \[Organisation\]\(#\) > \[Organisation chart\]\(#\)](#)

According to the employee feedback survey, the flow of information within the organisation, quality of management, personal development

opportunities and possibilities to influence the content of one's job seem to have developed positively. At the same time, room for development was perceived in the fair division of the workload, clarity of responsibilities and possibilities to influence the workload.

According to an interest group survey conducted in the spring, demands on the FIN-FSA have increased over the past three years. Although satisfaction with the FIN-FSA's operations had remained at a high level, the insurance sector, in particular, took a critical stance towards the preparation of regulations and guidelines.

Sanctions 2009–2014



There was no change in the number of administrative sanctions issued and requests for police investigation.

Supervised entities' strong risk-bearing capacity and high-quality governance

National stress tests also extended to the employee pension sector

The FIN-FSA conducted an asset quality review (AQR) on the three banks that were taken into direct supervision by the ECB, in accordance with the tight quality criteria, within the fixed schedule and in a cost-effective manner. The capital adequacy of the Finnish banks involved clearly exceeded the capital adequacy requirements set for the assessment.

However, this ECB work kept other FIN-FSA inspections in the banking sector to the minimum, particularly with respect to credit risks, and it also delayed the processing of the banks' internal risk models-based applications. In contrast, the intensity of inspections in other sectors of supervised entities remained at prior levels. General inspections of systems of governance and inspections focusing on compliance with new regulations for the insurance sector generated important findings, for example on the capabilities of supervised entities to meet the demands of the new regulations.

The FIN-FSA conducted stress tests instructed by the European supervisory authorities for the banking and insurance sectors. The coverage of the stress tests in the Finnish financial sector was improved by complementing the European tests with national stress tests that also included employee pension companies. The findings showed that the requirements of Solvency II regulations, entering into force at the beginning of 2016, will still require special measures by certain supervised entities.

For more information, see page 18:
"Consistent asset quality review and stress test results through a common methodology".

Main focus of insurance sector inspections on Solvency II preparedness

Insurance sector inspections were also targeted at the Solvency II preparedness of non-life and life insurance companies, as well as being targeted at the calculation of market-based technical provisions, under Solvency II. The inspections of technical provisions showed that the Solvency II calculation systems and documentation were still incomplete and there were significant personnel risks.

Inspections in the employee pension sector focused particularly on solvency, governance and the use of employee pension assets.

A survey was also made for the benefit of all non-life and life pension companies on their governance system and reporting capabilities. The inspections and the survey conducted generated valuable information on the phases of preparation in different companies, and segments were identified that called for special attention in the supervision of insurance companies.

40 inspections of risk management and governance

The themed inspections launched in 2013 on the security of online banking services offered to private customers continued, as did the inspections related to the prevention

of money laundering. During the year, a total of 40 risk management and governance inspections were completed. The most important findings concerned the management of operational risk, IFRS consolidated financial statements and the system of governance for investment activities.

No other significant problems emerged in the inspections. However, in ongoing supervision and inspection visits following these themed inspections, certain shortcomings have been observed and supervised entities have been required to take corrective measures.

Cybersecurity must be improved

Around the turn of the year 2014–2015, some Finnish banks fell victim to an extensive denial-of-service attack. The attacks either slowed

down or prevented the use of online banking services, and in some cases also hindered the use of payment cards and ATMs. The FIN-FSA required the banks concerned to provide reports on these cyber-attacks and their measures to prevent similar attacks, in the future. The reports submitted revealed a need for certain banks to improve their operating models and protection against such attacks.

The FIN-FSA has contributed to the preparation of national emergency supply payment transmission issues, for example through the Finance Pool. The National Emergency Supply Agency commissioned a report on risk scenarios in interbank payment transmission and related preparation measures. Going forward, this report will form the basis for preparatory actions in payment transmission.



45

new authorisations
or expansions of a
previous authorisation



468

new
insurance
agents

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 468 new insurance agents were registered.

The regulatory year in brief

Banking sector

The regulation of the banking sector was reformed materially during the review year, as the EU's common rule book was taken into use. The EU's Capital Requirements Regulation entered into force on 1 January, and the new Credit Institutions Act at the beginning of July. In this context, the capital adequacy requirements were increased, and quantitative liquidity requirements were introduced in the regulation. New regulation was also issued on additional capital requirements, risk management, corporate governance as well as remuneration and cooperation between supervisors.

Customer protection in the banking sector was harmonised by new directives on housing loans and basic payment accounts. These reforms have not been implemented yet in national legislation.

The FIN-FSA was entrusted with a significant task as a macroprudential supervisory authority. More detailed information on page 16.

During the review year, the Parliament also adopted Acts related to the national implementation of the Bank Recovery and Resolution Directive.

This entails, among other things, the establishment of a new financial stability authority (Finnish Resolution Authority) and a financial stability fund. The establishment of a common crisis resolution mechanism and the harmonisation of crisis resolution regulations at the EU level are significant parts of the banking union and are needed to supplement the common banking supervision of the euro area.

The FIN-FSA contributed to the preparation of both the Credit Institutions Act and the Act on Crisis Resolution.

Insurance sector

The reform of solvency regulation and supervision for life and non-life insurance companies known as Solvency II was finally completed at the directive level. This means a significant improvement in both quantitative and qualitative solvency and risk management requirements. This regulation will enter into force on 1 January 2016.

Negotiations continued on the IMD II Directive on the sale of insurance policies.

The national implementation of Solvency II regulations has proceeded

smoothly. Government proposal on an amendment of the Insurance Companies Act was presented to Parliament at the end of the year. During the year, the FIN-FSA renewed the regulations and guidelines on the insurance sector's system of governance and risk management.

Significant steps forward were also taken in the regulation of employee pension institutions. The transparency of governance will be strengthened once for example insider registers are made public, in the future. Disqualification and remuneration will also be regulated more closely than before.

A proposal on reforming the solvency regulation of employee pension institutions was presented to Parliament. The objective of the proposal is to take all material risks relating to investment activities and insurance risks into account more specifically and comprehensively. The proposal meets the objectives set by the FIN-FSA in most respects, excluding the requirements concerning the management of risks and solvency. From the supervision point of view, the regulation of the employee pension sector is not, at this stage, at a

level consistent with the rest of the insurance sector.

Securities sector

Significant new regulation will enter into force in 2015–2017. Among the regulations introduced in the reporting year, the securities sector saw the introduction of the Directive and Regulation on markets in financial instruments (MiFID II / MiFIR) and the Market Abuse Regulation. The MiFID II / MiFIR will be applied from the beginning of 2017, and they will add to the code of conduct requirements to be observed in the provision of financial services as well as extend the regulations concerning the transparency of trading to bonds and derivatives. The Market Abuse Regulation will, among other things, introduce changes to the requirements concerning the disclosure of securities transactions by the management of a listed company and the maintenance of insider registers.

In addition, a Central Securities Depository Regulation, an Audit Regulation and Directive as well as a Directive on the disclosure of non-financial information were adopted during the year. Negotiations continued on regulations in several fields, including

shadow banking and reference values.

The disclosure obligations concerning packaged investment products in the securities, banking and insurance sectors were harmonised with the so-called PRIIPS Regulation. From the beginning of 2017, a key investor information document, presenting key information on the product offered, will have to be made on packaged investment products, such as index-linked bonds and unit-linked insurance policies.

In March, a new Act on Alternative Investment Fund Managers entered into force. The FIN-FSA regulations and guidelines related to the Act were issued in July.

European supervisory authorities

EBA, EIOPA and ESMA as well as their joint committee have prepared advice to the Commission on almost all EU-level regulative initiatives and produced technical standards, guidelines and recommendations complementing the regulation. The volume of regulation entering the financial sector is extensive. The FIN-FSA has participated in initiatives that it has deemed most important, from the point of view of the Finnish financial markets.

High-quality customer and investor protection

New agents and operating models targeted in the supervision of the conduct of business

Supervision was focused on new agents in the markets and new operating models. The FIN-FSA finalised and adopted a new supervision framework to implement the AIFM regulation concerning alternative investment funds, which entered into force in March. The number of applications for authorisation and registration of alternative investment funds was significant. In the context of the processing of the applications, practical policies were formulated as to the authorisation requirements and assessments were made concerning the appropriateness of alternative investment funds targeted at retail investors and the information provided on them. The importance of the product development process was stressed to the agents in the assessment of the characteristics of a new product and in the determination of the appropriate target investor group for the product.

Due to the burgeoning interest in crowdfunding, the border line between crowdfunding and investment service subject to authorisation was clarified. The objective was to safeguard investor protection, development possibilities for crowdfunding and a level playing field. The FIN-FSA informed the agents and the media on its policies and published customer education on crowdfunding.

In the scope of EMIR (European Market Infrastructure Regulation) supervision, the

objective was to ensure, by way of dissemination of information, which entities subject to the reporting obligation obtain an international LEI identifier and that reporting to trade repositories has begun. In the same context, other obligations under the EMIR Regulation were also underlined. In the supervision of EMIR reporting, the FIN-FSA created technical data access connections to the two most important trade repositories.

The takeover of the new supervision duties and the formulation of supervision policies clarified the requirements placed upon the agents, which will facilitate the operations of the parties concerned and supervision by the FIN-FSA in the future.

18 inspections undertaken concerning customer and investor protection

Scheduled inspections were targeted, for example, on the training of personnel in insurance agency operations, marketing by banks and insurance companies as well as on the processes for treating customer complaints. In addition, inspections were made concerning re-collection practices by unemployment funds. The inspections revealed individual shortcomings, which the FIN-FSA urged them to rectify. In addition, surveys were made on both basic banking services and terms and conditions of card contracts. Basic banking services continue to be readily available for the most part. The reduction of branches for retail customers and the streamlining of their

service range may decrease the availability of banking services locally, especially if the customer does not have a payment card or online bank at their disposal.

The FIN-FSA surveyed the practices followed in the provision of savings, investment and financial products to the

elderly and issued a supervision release on its views about the subject. In addition, there were inspection visits concerning the marketing material for index-linked bonds. Some of the planned inspections and surveys were given up due to the congestion caused by AIFM applications.

The objectives of the crowdfunding policy definitions were to safeguard investor protection, development possibilities for crowdfunding and a level playing field.

Most visible topics brought to the public eye by the FIN-FSA

1. Aggressive marketing of investment products
2. Comprehensive bank assessment by the ECB
3. Sanctions
4. Investment frauds
5. Cases of securities market abuse



Source: The FIN-FSA's media monitoring

Economic uncertainty had an impact on the focus of supervision of investor information

Due to the unfavourable economic situation, the FIN-FSA processed more questions related to the financial position of listed companies than previously. These were related, for example, to the description of risks and uncertainties as well as to financial statement information on financial risks and business continuity.

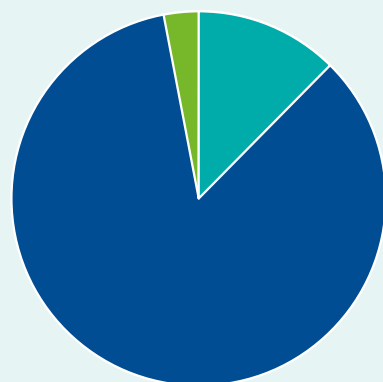
Inspection visits related to disclosure obligation practices were made in five companies. In addition, companies planning to be listed were informed about the disclosure obligation.

The market situation also motivated companies to secure their access to funding

and to diversify their sources of finance. The number of development projects, as well as questions of interpretation and supervision that related to the bond markets, increased.

In addition surveys were undertaken on the quality of customer material concerning investment baskets linked to unit-linked savings life insurance policies, pension insurance policies as well as capital redemption contracts. The objective was to improve the quality of investor information on investment baskets and to steer companies to make preparations for new regulation concerning retail investment products, which enters into force in 2016 (PRIIPs, Packaged Retail Investment and Insurance Products).

The market situation also motivated companies to secure their access to funding and to diversify their sources of finance.

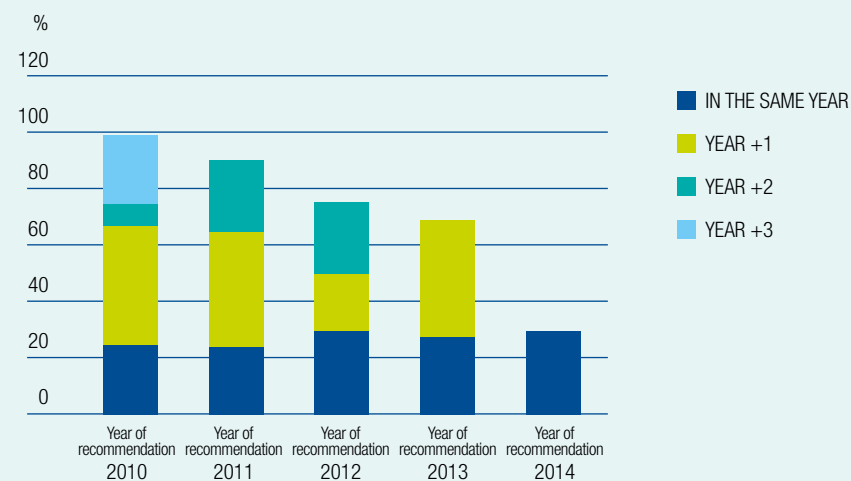


The activities of supervised entities were assessed most frequently by inspection visits (393).

The other means of supervision used were inspections (58) and supervisory reviews (12).

- INSPECTIONS
- INSPECTION VISITS
- SUPERVISORY REVIEWS

Implementation of corrective measures 2010–2014



Corrective measures are often taken over several years, since some of them may even require large changes. The recommendations made in 2010 have been 100% implemented.

Number of visitors at the Finanssiasiakas.fi site in 2012–2014

unique visitors

16 000

14 000

12 000

10 000

8 000

6 000

4 000

2 000

0

2012

2013

2014

Most popular content at the Finanssiasiakas.fi site

1. Warning lists
2. Housing loans
3. Investment
4. Estate of a deceased person
5. Saving



Themed inspections continued concerning transaction reporting and inside information management by investment firms.

Automated trading and reporting targeted in the supervision of trading

Inspection visits made with securities intermediaries looked into the organisation of automated trading. The objective of the visits was to find out how the intermediaries had taken ESMA guidelines into account in their conduct and processes. In addition, a series of inspections regarding conduct in trading concerning all Finnish stockbrokers was completed.

Themed inspections continued concerning transaction reporting and inside information management by investment firms. The objective of the inspections was to assess how comprehensive and accurate the transaction reports, submitted to the FIN-FSA, were, as well as their compliance with provisions on the management of inside infor-

mation and project-specific insider registers, and the appropriateness of conduct.

More notifications from abroad of suspicious securities transactions

The number of cases of suspected securities market abuse under investigation was 83 (2013: 100), comprising 36 (47) cases related to the abuse of inside information, 23 (28) to market manipulation, 18 (17) to the disclosure obligation under the Securities Market Act and 6 (8) to other types of suspicious activities. The number of notifications of suspicious transactions on securities from the stock exchange was 27 (36) and 63 (34) from securities intermediaries. More than half of the notifications received from securities intermediaries came from abroad.

Productive cooperation between supervisors and other authorities

Preparations completed for common banking supervision for the euro area

The FIN-FSA contributed to the preparations led by the ECB for the Single Supervisory Mechanism for the euro area. The national members of the Joint Supervisory Teams (JST), of the banks that moved to the ECB's direct supervision on 4 November, were appointed and the operation of the Joint Supervisory Teams began under the ECB's management. Approximately 75% of the work of the JSTs' is conducted at the FIN-FSA and the rest at the ECB. The FIN-FSA fostered, in particular, the efficiency and uniformity of supervision, communication concerning the role of the host supervisor in the supervisory work as well as a culture of open exchange of information between the supervisors. From the FIN-FSA's point of view, it is important that the effective functioning of the colleges of supervisors continues with home country supervisors not belonging to the common banking supervision of the euro area.

There was close Nordic cooperation, for example, with respect to issues concerning the entry into force of Solvency II regulation, joint inspections and model assessment as well as definitions of policy regarding securities regulation. The supervisory responsibility in the colleges of supervisors for cross-border banks was transferred to the ECB.

The EU's financial supervisory authorities (EBA, ESMA and EIOPA)¹ had several regulatory initiatives in process, most of which will continue in 2015. The FIN-FSA participated in the preparation of these initiatives in the working groups. Within the working groups, the FIN-FSA prioritised initiatives considered the most important for the Finnish financial markets.

The FIN-FSA participates in the development and regulatory work conducted at the ECB and the EU's financial supervision authorities. The FIN-FSA's management group decides annually on its participation and sets the objectives for it. In 2014, FIN-FSA staff participated in almost one hundred working groups.

The new Credit Institutions Act and related legislative amendments entered into force on 15 August. Stricter capital requirements for banks will be implemented gradually between 2014 and 2019, and quantitative liquidity requirements between 2014 and 2018.

New task in macroprudential supervision

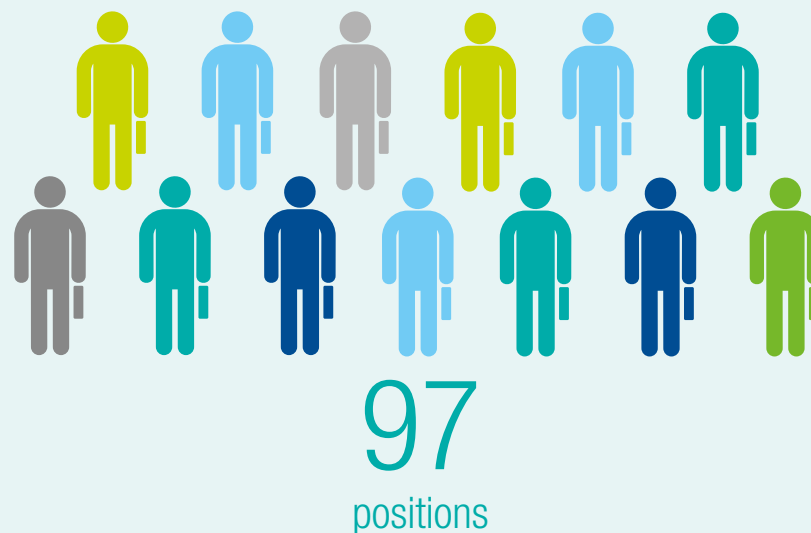
The new Credit Institutions Act entailed a new significant duty for FIN-FSA in macroprudential supervision. FIN-FSA Board bears the responsibility of deciding on the application of macroprudential tools.

The tools available are:

- increases of risk weights applicable to housing and real-estate lending
- tightening of the maximum loan-to-value ratio of housing loans ("loan cap", the possibility to decide on the application of the tool, from July 2016 onwards)
- countercyclical capital buffer

The Act does not allow the FIN-FSA to set an additional capital requirement for potential systemic risks ("systemic risk buffer"). Regulation allows for the use of the systemic risk buffer in 24 EU countries, so in addition to Finland there are only three countries where this possibility has not been incorporated in national legislation. Both the FIN-FSA and the Bank of Finland emphasised the necessity for

Number of positions held by FIN-FSA officials in the committees and working groups of the ECB and the EU's financial supervisory authorities, total



¹ European Banking Authority (EBA), European Securities and Markets Authority (ESMA)
European Insurance and Occupational Pensions Authority (EIOPA)

this macroprudential tool in the scope of the preparation of the legislation.

Significant steps forward were also taken in the regulation of employee pension institutions: the transparency of governance was bolstered after new public insider registers became mandatory, the principles of ownership control were stipulated to be made public and the provisions on disqualification were specified. In addition, remuneration is regulated more closely than before.

In the context of IT systems development, the FIN-FSA was looking for cooperative partners, primarily to develop a signal and analysis tool for transaction reporting. Within ESMA, preparations were made for broader cooperation between European supervisors in data collection and systems development.

EU's financial supervisory authorities

EBA is in charge of preparing a large group of technical standards and guidelines complementing the EU's Capital Requirements Regulation (CRR), Capital Requirements Directive (CRD IV) and the Recovery and Resolution Directive. The FIN-FSA participated in preparing the technical standards related to own funds, the prerequisites for initiating resolution as well as the standards for intervening in the operation of a problem institution, and guidelines addressing the common principles and procedures for a supervisory review of supervised entities.

The FIN-FSA successfully contributed to the partial simplification of the valuation guidelines for technical provisions and the reporting on technical provisions. In addition, the FIN-FSA assisted the ministry in incorporating Solvency II regulation, as part of the national regulation.

ESMA had several regulatory initiatives in progress, some of which will even have significant impact on the activities of the FIN-FSA and Finnish financial market participants. As a special task, the FIN-FSA had the preparation of the EU's financial supervision authorities' guidelines for structured and otherwise complex products and their product development, in addition to the outlining of policy definitions for crowdfunding and a potential regulatory framework for it. The FIN-FSA engaged in a more active exchange of views with other Nordic supervisors on individual details regarding the contents of the regulatory initiatives, with the aim of improving the overview and their impact.

Macroprudential supervision provided the FIN-FSA with a significant new task.



"How to make the SSM deliver better supervision"

On 5 June, the FIN-FSA organised the third FIN-FSA Conference on EU Regulation and Supervision for its stakeholders. This time, the theme was 'How to make the SSM deliver better supervision for the euro area and the EU as a whole'. The keynote speaker was **Danièle Nouy**, Chair of the SSM's Supervisory Board, European Central Bank. The other guest speakers were **Pentti Hakkarainen**, Chairman of the Board of the FIN-FSA, **Stefan Ingves**, Governor of the Swedish Central Bank, and **Andrea Enria**, Chairperson of EBA. The panel was attended by **Ari Kaperi**, Head of Group Risk Management, Nordea, **Martin Noréus**, Deputy Director General, Finansinspektionen, **Ulrik Nødgaard**, Director General, Finanstilsynet, **Erik Palmén**, Chief Risk Officer, OP Financial Group and **Jukka Vesala**, Director General, SSM, European Central Bank.

📄 [For more details on the programme and presentations, see: Fin-fsa.fi > Publications and press releases > FIN-FSA Conference on EU Regulation and Supervision 2014](#)

Comprehensive assessment

Consistent asset quality review and stress test results through a common methodology

For the banks that moved to direct supervision by the ECB, the so-called comprehensive assessment was performed and finalised in October. The comprehensive assessment process, led by the ECB, included the following Finnish banks: Danske Bank Plc (Finland), Nordea Bank Finland Group and OP-Pohjola Group. The assessment consisted of an asset quality review and a stress test.

The asset quality review, started with choosing the lending portfolios to be reviewed. In Finland, the decision was made to examine housing loans to private individuals, lending to corporations of various sizes and in particular the financing of commercial real estate. These credit portfolios were presumed to contain customers whose credit ratings should be downgraded from a so-called sound customer to a non-performing asset. The portfolios chosen covered approximately 66% (excluding intra-group items) of the three banks' risk-weighted assets attributable to credit risks.

A sample of about 2,900 loans was taken from the portfolios chosen. The creditworthiness and sufficiency of impairments made for these customers were reviewed. In addition, independent real-estate assessors reviewed about 2,200 collateral properties. This stage, which was completed by Midsummer, included about 30 inspectors from the FIN-FSA, the Bank of Finland and a consultancy firm. In light of the hours worked and the personnel involved, the comprehensive assessment has been the FIN-FSA's largest single project, to date.

The impairment observations in the sample were extrapolated to the remainder of the portfolio, and the banks' own group-level impairments were assessed with challenger models. In addition, the asset quality review looked into the pricing uncertainty related to counterparty risk and the pricing models applied to instruments that are difficult to value.

The asset quality review was based on the ECB's detailed guidelines and common definitions (eg non-performing assets). The downward impact of the asset quality review on

the common equity tier 1 capital of the three Finnish banks was 0.31–0.70%, which was broadly in line with the euro area average.

The purpose of the stress test was to assess the capital adequacy of the banks in two economic scenarios in 2014–2016. The final results of the test took into account the impairment needs revealed in the asset quality review.

The scenarios were country-specific. The baseline scenario consisted of the forecasts made by the European Commission at the end of 2013, reflecting a budding economic recovery. Meanwhile, the adverse scenario consisted of a sequence of developments drawn up by the European Systemic Risk Board (ESRB) especially for the stress tests. It was based on an assessment presented by the Board a year earlier, on the most significant threats to the European banking system. For Finland, the scenario was more severe than the most recent financial crisis, but milder than the depression of the 1990s.

The stress test was coordinated by the European Banking Authority,

which decided on the scenarios and the calculation methods. In addition, the ECB and the euro area countries agreed on common quality assurance and revision procedures, coordination of the publication of the results and the measures required from the banks.

The banks calculated the impacts of the scenarios in May–June, after which the authorities verified the appropriateness of the calculations and required revisions, where necessary. Finally, each bank was presented with the key findings of the comprehensive assessment in order to appropriately prepare for the simultaneous publication of the results.



In the baseline scenario, the capital adequacy of Finnish banks developed favourably.

In the baseline scenario, the capital adequacy of Finnish banks developed favourably. In the adverse scenario, their capital adequacy decreased in line with the other banks covered by the test, on average. However, the Finnish banks started from such high levels of capitalisation that they exceeded the minimum thresholds of the comprehensive assessment by a wide margin.

For more detailed information, please see: [Fin-fsa.fi](https://www.fin-fsa.fi) > Publications and press releases > Press releases > 12/2014: ECB comprehensive assessment: Finnish banks' capital adequacy remained good also in the stress scenario

The Board of FIN-FSA

Jaakko Tuomikoski
(not in the picture)
MA, SHV*
(until 31 December 2014)

Chairman **Pentti Hakkarainen**, LL.M (trained on the bench),
MSc. (Econ.) Deputy Governor, Bank of Finland
(Deputy to Pentti Hakkarainen: **Kimmo Virolainen**, DSc (Econ.)
Head of Department, Bank of Finland)

Vesa Vihriälä,
Managing Director,
DSocSc
(from 1 January 2015)

Vice Chairman **Martti Hetemäki**, DSocSc,
Permanent State Secretary, Ministry of Finance
(Deputy to Matti Hetemäki: **Tuija Taos**, LL.M in
EC Business Law, Director, Legislative Counsellor,
Ministry of Finance)



Pirkko Juntti, LL.M (trained on the bench)

Outi Antila, LL.M (trained on the bench)
Director-General, Ministry of Social Affairs and Health
(Deputy to Outi Antila: **Mikko Kuusela**, PhD, SHV*,
Senior Actuary, Ministry of Social Affairs and Health)

The secretary to the Board was
Senior Legal Advisor **Pirjo Kyyrönen**.

The Board convened 19 times during the
year. Monthly fees to the members and
deputies in the year under review totalled
EUR 54,600. No separate attendance
allowance is paid.

For more information, see: The Board's report to the Parliamentary Supervisory Council was published in March 2015 (in Finnish) at Finanssivalvonta.fi > Julkaisut ja tiedotteet > Johtokunnan kertomus pankkivalvustolle.

For more detailed information, please see: CVs of the Board, composition of the Parliamentary Supervisory Council, organisation chart at Fin-fsa.fi > About us > Organisation

* Actuary accredited by the Ministry of Social Affairs and Health.

Management group

Erkki Rajaniemi

LicLL,
LLM (trained on the bench)
Advisor to the Management

Jarmo Parkkonen

LLM, MSc (Econ.)
Head of Supervision
of Markets and Conduct
of Business

Jyri Helenius,

MSc Eng
Head of Prudential
Supervision
(from 19 May)

Marja Nykänen

LLM (trained on
the bench)
Deputy Director
General, Institutional
Supervision

Erja Rautanen

(not in photo)
Master of Laws (LLM)
Head of Conduct of
Business Supervision,
(until 31 July)

Jukka Vesala

(not in photo)
DSc. (Econ.)
Deputy Director General,
Prudential Supervision
(until 2 February)

Hely Salomaa

(not in photo)
DSocSc, SHV*,
Chief Advisor
(until 30 April)



Pirjo Kyyrönen

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

Anneli Tuominen

LLM (trained on the bench),
MSc (Econ.)
Director General, Chairman

Sonja Lohse

LLM (trained on the bench)
Chief Advisor, Head of the
Director General's Staff
(from 7 January)

The management group convened 55 times during the year. The Director General's salary and fees totalled EUR 208,414. Salaries and fees paid to the other management group members totalled EUR 949,138.

For more detailed information, please see:

See management group's and secretary's CVs as well as the FIN-FSA's ethical guidelines and guidelines on securities trading and close ties of the FIN-FSA staff at Fin-fsa.fi > About us > Organisation

The FIN-FSA's expert organisation amounted to 189 persons at the end of the year.

For more detailed information, please see:

The personnel audit for the year under review was published in March 2015 (in Finnish only) at Finanssivalvonta.fi > Tietoa Finanssivalvonnasta > Avoimet työpaikat

Number of the FIN-FSA personnel and their duties

	Women		Men		Total	
Management	8	47 %	9	53 %	17	9 %
Experts	91	61 %	59	39 %	150	79 %
Support staff	20	91 %	2	9 %	22	12 %
Total	119	63 %	70	37 %	189	100 %

* Actuary accredited by the Ministry of Social Affairs and Health.

Appendices

Total number of supervised and other fee-paying entities

Fee-paying entities	31.12.2013	31.12.2014
Credit institutions	309	296
Investment firms	55	59
Fund management companies	34	35
Securities issuers	143	149
Stock exchange, clearing corporation	1	1
Finnish Central Securities Depository	1	1
Other fee-paying entities in the financial sector	68	96
Financial sector, total	611	637
Life insurance companies	13	13
Non-life insurance companies	38	37
Pension insurance companies	7	6
Unemployment funds	32	29
Pension funds	62	56
Sickness funds and other insurance funds	139	134
Insurance associations	6	6
Insurance brokers	69	66
Public sector pension funds	3	3
Other fee-paying entities in the insurance sector	42	37
Insurance sector, total	411	387
All supervised and other fee-paying entities, total	1 022	1 024

In addition, the FIN-FSA supervises, for example, insurance agents and persons liable for declaring insider holdings.

Expenses and funding

Expenses and funding, EUR thousands	2013	2014*
Staff expenses	17,972	16,836
Staff-related expenses	922	836
Other expenses	3,630	4,018
Services	918	1,298
Real estate expenses	1,336	1,347
Other expenses	1,376	1,373
Depreciation	310	292
Bank of Finland services	3,449	4,213
Total expenses	26,283	26,196
Funding of operations		
Supervision fees	22,574	24,316
Processing fees	1,140	1,821
Other income		
Bank of Finland's contribution: 5% of expenses	1,314	1,310
Surplus carried over from the previous year	4,372	3,117
Surplus carried over to the next year	-3117	-4368
Total funding	26,283	26,196

* The figures for 2014 are unaudited and unconfirmed.

Set supervision fees

Fee-paying entities, EUR thousands	2013	2014
Credit institutions	12,289	12,357
Investment firms	851	965
Fund management companies	1,182	1,455
Securities issuers	1,690	1,899
Stock exchange, clearing corporation	306	332
Finnish Central Securities Depository	186	205
Other fee-paying entities in the financial sector	255	327
Financial sector, total	16,759	17,540
Life insurance companies	929	1,107
Non-life insurance companies	1,218	1,492
Pension insurance companies	1,705	1,966
Unemployment funds	984	1,090
Pension funds	231	256
Sickness funds and other insurance funds	89	95
Insurance associations	5	5
Insurance brokers	74	81
Public sector pension funds	436	518
Other fee-paying entities in the insurance sector	146	170
Insurance sector, total	5,817	6,780
Adjustment items carried over from previous years	-24	-4
Fee-paying entities, total	22,552	24,316

Processing fees

Fee-paying entities, EUR thousands	2013	2014
Credit institutions	48	107
Investment firms	62	92
Fund management companies	278	903
Securities issuers	260	238
Other fee-paying entities in the financial sector	69	84
Financial sector, total	717	1,424
Insurance companies ¹	158	95
Unemployment funds	23	24
Pension funds	27	30
Sickness funds and other insurance funds	34	48
Insurance associations	2	0
Insurance brokers ²	163	191
Other fee-paying entities in the insurance sector	16	9
Insurance sector, total	423	397
Fee-paying entities, total	1,140	1,821

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 29 occasions. The FIN-FSA was requested to make 27 submissions on draft Finnish legislation and 114 other submissions in its field of competence.

Journal

Items initiated in the FIN-FSA's journal in 2014 (main functions and their major categories)	number
Governance	87
Regulation	66
Supervision	2,621
Notifications; branches and cross-border activities	554
Articles of association, by-laws and regulations; confirmation and changes	211
Prospectuses	222
Letters by private citizens	241
Fit & Proper reports	223
Inspections	49
Authorisations; granting and expansion	45
Other	254
Domestic cooperation	120
International cooperation	20
	3,028

In addition, 468 new applications for registration and 1,643 applications for change were processed in the insurance agent register outside the scope of the Journal.

Working group

Terhi Lambert-Karjalainen (chairman)

Sampo Alhonsuo

Mia Erkkö

Teija Korpiaho

Veli-Jukka Lehtonen

Tommi Orpana

Jaana Rantama

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Layout design and page makeup

Recommended Finland Oy

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