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RAHOITUSTARKASTUS
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Director General's Review

The development of Finland's financial markets in 1997 was favourable. Bank financial results improved and were, on average, already at satisfactory levels. In contrast to a possible scenario I raised in last year's review, the climb in stock prices continued and volumes reached record highs.

The improved performance of banks is largely attributable to gains from the sale of securities, decreased loan losses and cost-savings from rationalization measures. On the other hand, net income from financial operations, the figure that reflects the profitability of banks' core banking operations, improved only slightly, even though there was a marked decline in nonperforming assets. Intense competition held interest rate margins in check, with neither corporations nor households willing to extend their borrowing beyond current levels.

Nevertheless, core profitability of banks is still quite weak and calls for further cost-cutting measures. One legacy of the banking crisis remains; bank balance sheets continue to be burdened by large holdings in real estate with book values that in some cases still exceed market values. We will only be able to characterize our banks as strong after these real estate holdings have been sold off. Given the rudimentary development of Finnish real estate markets, the disposition of these properties is likely to still take several years.

Efforts to raise cost-efficiency must also include structural reforms of the banking sector; indeed, several major decisions have already been reached in this respect. At the beginning of April

1998, Merita Bank Ltd and the Swedish Nordbanken AB begin operating within the same group under joint management. Both banks are owned by a holding company, MeritaNordbanken plc. MeritaNordbanken is a Finnish limited liability company, but the top management of the group is mainly located in Stockholm. In accord with the EU's home state supervisory principle, responsibility for supervising the group will devolve on the Finnish Financial Supervision Authority (FSA). Sweden's Financial Supervisory Authority will continue to be responsible for the supervision of the Swedish Nordbanken AB and the FSA for Merita Bank. It is clear that such a group structure will pose new, increasingly demanding cooperative challenges to Finnish and Swedish supervisory authorities.

Finland's state-owned Postipankki plc and Finnish Export Credit plc were also consolidated via holding company arrangements under joint management to form PV Group plc. Coming into force at the start of 1998, a legislative supplement to the Act on the Financial Supervision Authority now empowers the FSA to supervise such holding companies. Without this amendment, it would not be possible to implement effective supervision of the Merita-Nordbanken Group and the PV Group.

Amalgamation of cooperative banks commenced operations during the year. However, 44 local cooperative banks opted out of the Amalgamation and established their own association, Paikallisosuuspankkiyhdistys ry. This association cooperates with the Savings Banks Group in IT and centralized financial operations. In January

1998, plans were announced to merge Interbank Ltd and Mandatum & Co Oy into Mandatum Pankki plc.

With Stage Three of EMU adding further impetus to the integration of Europe's financial markets and ever-increasing cross-border competition, it can be assumed that structural changes in the banking sector will continue in Finland and the EU generally.

Changeover to the single currency and establishment of the European System of Central Banks will put substantial pressures and demands on supervision, not least in the areas of payment transactions and information technology. Additional strain can also be expected from work to tackle the Year 2000 problem before the shift of the millennium. As supervisory authorities elsewhere, the FSA has enjoined supervised entities to implement Year 2000 action plans.

Efficient operation of payment and settlement systems is essential for the upcoming euro area. Initiation of activities by the Finnish Central Securities Depository Ltd at the start of 1997 provided a good basis for the creation of an efficient centralized clearing and settlement system in Finland. The merger of the Helsinki Stock Exchange Ltd and SOM Ltd, Finnish Securities and Derivatives Exchange, Clearing House to form HEX Ltd, Helsinki Stock and Derivatives Exchange, Clearing House was another move conducive to enhancing the efficiency of the Finnish securities markets. The infrastructure of Finnish securities markets, however, needs to be upgraded further in order to maintain its international competitiveness.

Revision of the Finnish deposit guarantee scheme entered into force at the start of 1998. The deposit guarantee is now limited to FIM 150,000. It is presumable that the parliamentary guarantee of banks will be repealed later in 1998. After that, it will be necessary for depositors to proceed with increased caution in choosing the banks to whom they entrust their deposits exceeding the deposit guarantee limit, as in a market economy even the most effective supervision cannot avert the possibility that the depositors of a bank may also suffer losses.

In an attempt to improve the protection of banks' small customers and speed up the handling of complaints, the National Consumer Administration, the Finnish Bankers' Association and the FSA agreed in November on setting up an inquiry office for provision of customer services. The office, planned to start in the first half of 1998, will operate in connection with the Finnish Bankers' Association.

Rapid development of IT and financial products has heightened competition across sectoral borders. This phenomenon can be seen particularly well in banking and insurance. We are now witnessing the formation of large financial conglomerates that provide not only banking services but securities and insurance services as well. Such new groups pose a new supervisory challenge. In Finland, the FSA and the insurance department of the Ministry of Social Affairs and Health, which is in charge of insurance sector supervision, have intensified mutual cooperation. This was manifested in the signing of a memorandum of understanding in

June 1997 on the overall cooperation framework.

In August 1997, the Ministry of Finance requested that Mr Björn Wahlroos recommend approaches to supervision in the financial and insurance sectors. Mr Wahlroos delivered his report in November. He proposed the integration of the FSA and insurance sector supervision into a financial supervision authority under the Council of State. The proposal drew highly divergent responses. In its statement on the report, the FSA agreed in the main with Mr Wahlroos' analysis of trends in the financial markets, but saw no grounds for combining these two supervisory functions, particularly in view of the special nature of pension and other social insurance. Through increased cooperation, the FSA saw that the two existing organizations would be capable of surmounting common supervisory challenges.

Globalization of financial markets requires common international agreement on minimal supervisory principles. In this respect, an important step forward was taken in September in Hong Kong, when the basic principles of banking supervision published by the Basle Committee on Banking Supervision were approved in connection with the annual meeting of the World Bank and the International Monetary Fund.

One of the more significant events in Europe last year was the intensifica-

tion of cooperation among authorities overseeing securities markets in the European Economic Area. At their December meeting in Paris, EEA supervisory authorities decided to establish the Forum of European Securities Commissions (FESCO) in order to promote cooperation among European securities market supervisors. Unfortunately, due to comitology differences among the EU Parliament and EU Council and the EC Commission, no securities committee was set up to function alongside the Banking Advisory Committee (BAC) and Insurance Committee already operative within the EU.

This year also promises to be an eventful one for the financial markets. Stage Three EMU participants will be decided in spring. Moreover, I am inclined to think that large structural changes in the European financial scene are just getting underway. While the economic outlook from the European perspective is generally favourable, the economic turmoil in Southeast Asia and Japan has added an element of uncertainty that affects the financial sector in particular. Financial supervision, based on the EU's home state supervisory principle, faces tough challenges. That means greater cooperation. I believe that in the long run there would be need for greater supervisory cooperation institutionally within the European Central Bank or in some other closer framework than at present.

March 1998

Kaarlo Jännäri

Developments in the Operating Environment

THE FINANCIAL CONDITION OF CREDIT INSTITUTIONS

The profitability of banks improved appreciably thanks to propitious economic developments. Loan and guarantee losses declined, and banks continued to lower their operating costs.

Intensifying competition internationally and domestically has accelerated structural change in the Finnish banking sector. In early July, 252 cooperative banks initiated closer cooperation under a central body. Forty-four local cooperative banks, however, chose to remain outside the new organization. State-owned Postipankki plc and Finnish Export Credit plc also

merged at the start of 1998; they now operate under joint management as the PV Group (PV Yhtymä Oyj). Moreover, Merita Bank Ltd and the Swedish Nordbanken AB have announced plans to combine their business operations in early April, when they would start operating as MeritaNordbanken Group. Finally, Interbank Ltd and Mandatum & Co Ltd have released a merger plan that would lead to the formation of Mandatum Pankki plc at the beginning of August 1998.

One factor that has heightened competition in the banking sector is the increasing interest in the Finnish market shown by foreign banks. Swedish and Danish banks have been

particularly active in establishing branches in Finland. The influence of foreign banks can be clearly seen in the market, although their share of lending and deposits is still small.

The amount of bank deposits increased in the course of the year, although interest rates came down and fixed-term deposits fell due for payment. Also investment via mutual funds increased, so that aggregate fund capital expanded by FIM 7.1 billion. Gross premiums written in life insurance amounted to FIM 11.3 billion, a 5% decrease from 1996.

Bank lending also grew slightly. Credit demand was mainly supported by households. In contrast, corporate in-

Key data on Finnish deposit banks, 1993–1997

	1997 ¹⁾	1996 ¹⁾	1995	1994	1993
All deposit banks					
Income from financial operations, bill. FIM	11.7	11.0	12.4	13.7	13.0
Other income, bill. FIM	10.2	10.2	8.2	8.6	9.7
Total income, bill. FIM	21.9	21.2	20.6	22.3	22.7
Expenses, bill. FIM	12.0	12.8	15.5	16.4	15.3
Refunded pension fund surplus (+), bill. FIM	1.5	1.2			
Depreciation, bill. FIM	2.5	2.1	1.7	1.5	1.9
Profit before loan and guarantee losses, bill. FIM	8.9	7.5	3.4	4.4	5.5
Loan and guarantee losses, bill. FIM	2.4	3.7	6.2	11.2	14.7
Operating profit before extraordinary items and taxes, bill. FIM	6.5	3.8	-2.8	-6.8	-9.2
Cost-effectiveness					
Before loan and guarantee losses	1.68	1.55	1.20	1.24	1.32
After loan losses	1.42	1.22	0.88	0.77	0.71
Return on equity (ROE), %	17.7	11.8	-9.6	-20.3	-25.9
Return on assets (ROA), %	0.92	0.56	-0.48	-1.01	-1.35
Total assets	608.4	578.2	616.6	667.8	726.8
Nonperforming assets, net, bill. FIM	8.3	12.3	19.6	25.4	35.9
- % of claims on the public and public sector entities	2.7	4.0	6.3	7.2	8.7
Loan and guarantee losses, % of claims on public sector entities	0.8	1.2	2.0	3.2	3.6
Solvency, % (Credit Instit. Act) – all banks	11.6	11.4	12.0	11.7	10.7
Risk-weighted assets and liabilities	383.4	372.3	371.7	419.5	488.5

Consolidated figures for commercial banks.

¹⁾ For 1996 and 1997, the figures for the new cooperative banks group are used; previously, separate figures for the OKO Group and cooperative banks.

vestment was primarily financed out of retained earnings. In addition, large companies raised funding via international capital markets or bank syndicates.

Bank profitability and solvency

In 1997, the aggregate operating profits of Finnish banks rose to FIM 6.5 billion. This was an increase of 69%, or FIM 2.7 billion, over 1996.

Net income from financial operations increased by FIM 0.7 billion, to FIM 11.7 billion. Factors contributing to this improvement included a marked contraction in nonperforming assets and changes in deposit rates. The margin between lending and funding rates also improved slightly in the course of the year.

Aggregate net income from securities trade totalled FIM 2 billion, remaining almost at the same level as a year ago. Differences between banks were quite considerable, however.

Cost cutting measures by banks continued in 1997. Excluding the disbursement of the Merita pension fund surplus, operational expenses (other expenses + depreciation) decreased by FIM 0.4 billion. Staff-related costs were also reduced some FIM 0.4 billion. The cost efficiency at Finnish banks has clearly improved, and now approaches a level similar to Swedish banks.

Profits before loan and guarantee losses totalled FIM 8.9 billion, up FIM 1.4 billion compared to 1996.

Loan and guarantee losses incurred by deposit banks declined by 35% on the previous year, and amounted to FIM 2.4 billion. Loan and guarantee losses accounted for 0.8% of claims on the public and public sector entities.

Solvency of Finnish deposit banks¹⁾ according to the Credit Institutions Act, 1996 and 1997

	1997	1996
Tier I capital, bill. FIM	29.0	26.6
– incl. general support granted by Ministry of Finance in 1992	3.1	6.6
Additional own funds, bill. FIM	18.0	16.9
Deductions, bill. FIM	–2.9	–1.8
Items for covering market risks, bill. FIM	0.4	0.7
Total own funds, bill. FIM	44.5	42.4
Risk-weighted assets and liabilities, bill. FIM	383.4	372.3
Solvency ratio (Credit Instit. Act), %	11.6	11.4
Tier I capital / risk-weighted assets and liabilities, %	7.6	7.2

¹⁾ Consolidated figures for commercial banks.

The solvency ratio of deposit banks improved over the previous year and was 11.6% at the end of 1997. In the course of the year, banks paid back a total of FIM 3.5 billion in capital support provided by the state during the banking crisis. At the end of December, FIM 3.1 billion in such government capital support remained on bank balance sheets, and had a 0.9 percentage point impact on the solvency ratio of banks. Tier I capital of deposit banks totalled FIM 29 billion at the end of the year.

The ratio of Tier I capital to risk-weighted assets was 7.6% at the end of December. If the above-mentioned capital support is disregarded, the corresponding ratio was 6.7%.

Structure of banks' balance sheets and off-balance sheet items

The aggregate assets of banks rose by FIM 30 billion, amounting to FIM 608 billion.

Claims on credit institutions and central banks increased during the year by FIM 20 billion, to FIM 97 bil-

lion. Outstanding lending grew by just under FIM 4 billion, to FIM 309 billion, and accounted for 51% of the combined balance sheet total. Debt security holdings increased by FIM 7 billion, amounting to FIM 108 billion, or 15% of the balance sheet total.

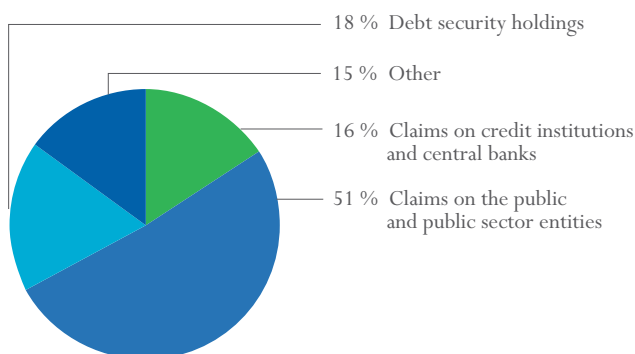
The outstanding amount of debt securities issued to the public increased by nearly FIM 7 billion to FIM 95 billion. Liabilities to credit institutions and central banks grew by FIM 13 billion, to FIM 90 billion. Liabilities to the public and to public sector entities grew by FIM 6 billion to FIM 335 billion, and accounted for 55% of banks' aggregate balance sheet total.

Off-balance sheet items

The outstanding amount of issued guarantees remained almost unchanged, at FIM 57 billion. In contrast, credit commitments increased by more than one-half and stood at FIM 118 billion. The nominal value of outstanding derivative contracts entered into by banks operating in Finland was FIM 4,542

Balance sheets of Finnish deposit banks, 31 Dec 1997

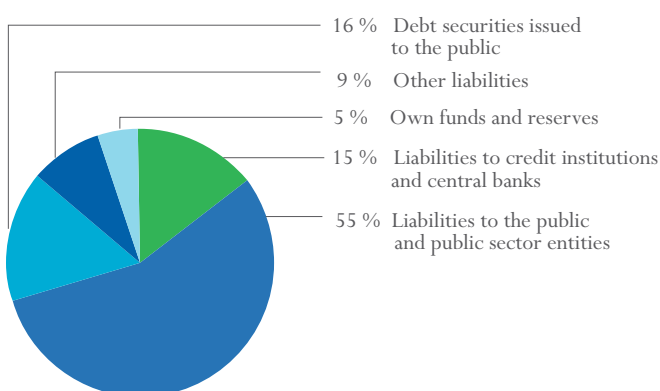
Assets



Assets

	1997 bill. FIM	%	1996 bill. FIM	%
Claims on credit institutions and central banks	97.3	16	76.9	13
Claims on the public and public sector entities	309.1	51	305.4	53
Debt security holdings	108.1	18	101.5	18
Other	93.9	15	94.4	16
Total	608.4	100	578.2	100

Liabilities



Liabilities

	1997 bill. FIM	%	1996 bill. FIM	%
Liabilities to credit institutions and central banks	90.5	15	77.3	13
Liabilities to the public and public sector entities	334.9	55	328.6	57
Debt securities issued to the public	95.0	16	88.5	15
Other liabilities	55.0	9	54.0	10
Own funds and reserves	33.0	5	29.8	5
Total	608.4	100	578.2	100

billion at the end of 1997, up by slightly more than one-fourth from the previous year.

Of the banks' derivative contracts, about 85% were interest-rate-based and 15% currency-based. The share of stock-, index- and commodity-based derivatives was less than 1%. In the future, we will be seeing the introduction of a new instrument: the nonstandardized credit derivatives. These enable banks to reduce credit exposure via counterparty agreements under which the counterparty will compensate the bank for losses if the credit underlying the agreement decreases in

value or the borrower is unable to keep to the agreed terms of payment. In compensation for taking on the risk associated with the credit, the bank pays the counterparty in the derivative contract regular compensation.

The Finnish derivatives market is dominated by five market-maker banks, who account for some 99% of the market. Foreign bank branches located in Finland accounted for 26% of all derivative contracts entered into in 1997, up 5% from 1996.

The credit-equivalent amount of banks' derivative contracts, which is used to calculate the capital adequacy

requirement on the credit risk of derivative contracts, totalled FIM 51.5 billion at yearend, reflecting an increase of more than FIM 1.5 billion from a year ago.

Risk management

Credit risk

Favourable economic developments and rising collateral values led to a reduction in banks' loan losses, which were booked at a value of FIM 3.7 billion. Recoveries of assets that had been previously booked as losses and provisions were exceptionally large, totalling

FIM 1.4 billion. Thanks to such large recoveries, loan losses reduced banks' earnings by only FIM 2.4 billion, FIM 1.3 billion less than in 1996.

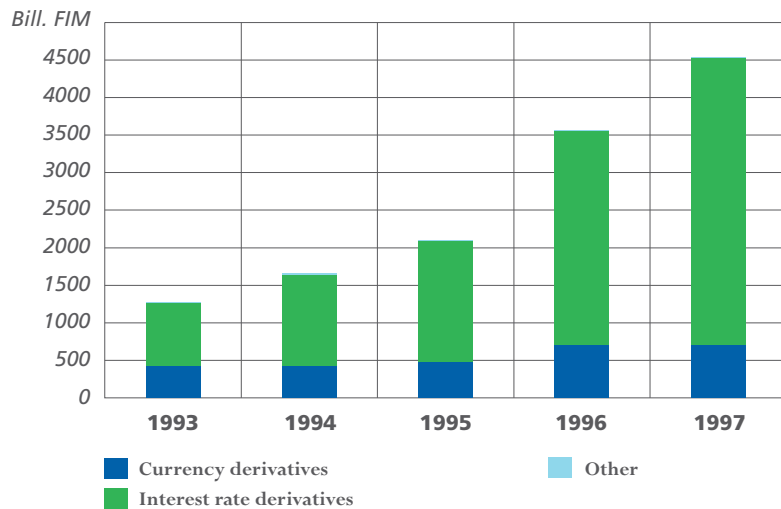
Nonperforming assets no longer directly anticipate future loan losses, because most of them are still pending. In cases of bankruptcy, the losses have already been largely booked, but when liquidation of collateral is still in process, assets continue to remain nonperforming. In fact, the nonperforming assets of banking groups contracted clearly more slowly in 1997 than in the previous year. Their total amount at the end of the year stood at FIM 8.3 billion, ie some FIM 4 billion less than in 1996. Nonperforming assets accounted for 2.3% of the stock of lending and bank guarantees extended by banking groups to the public.

Of nonperforming assets, almost one-half is related to corporate lending. In markka terms, the bulk concerns wholesale and retail trade, hotels and restaurants. When measured in terms of the percentage of nonperforming assets compared to all loans granted to a given sector, construction has the highest share.

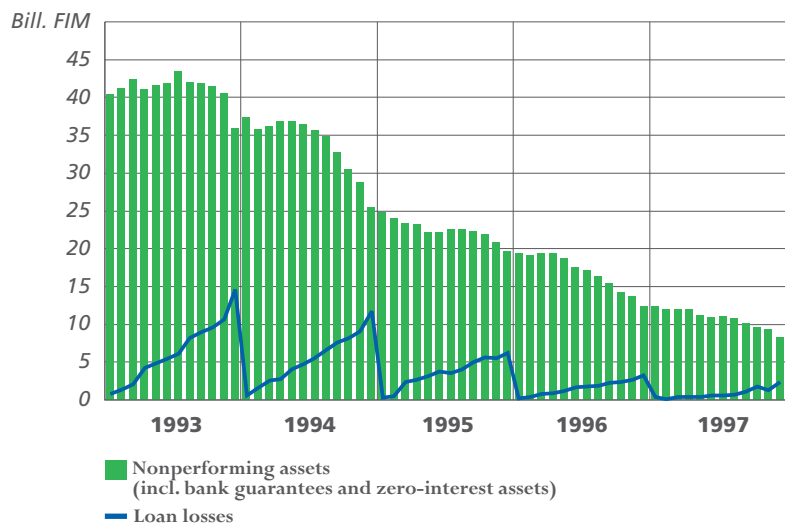
Country risk

Banks' external claims rose by 17% from the previous year, amounting to FIM 134 billion. Most growth was generated by EU countries and the US. The bulk of external claims, ie 75%, was composed of short-term interbank deposits and lending. The share of the corporate sector was 20% and that of the public sector 5%. Of the lending stock, 83% were short-term and 14% were long-term.

Deposit banks' derivative contracts, nominal value of underlying assets, 1993–1997



Deposit banks' nonperforming assets and loan losses, 1993–1997



Country risk includes a risk of a change in the political and economic conditions of foreign countries. Unstable conditions can jeopardize the debt service capacity of borrowers; indeed this is what has happened recently in Southeast Asia.

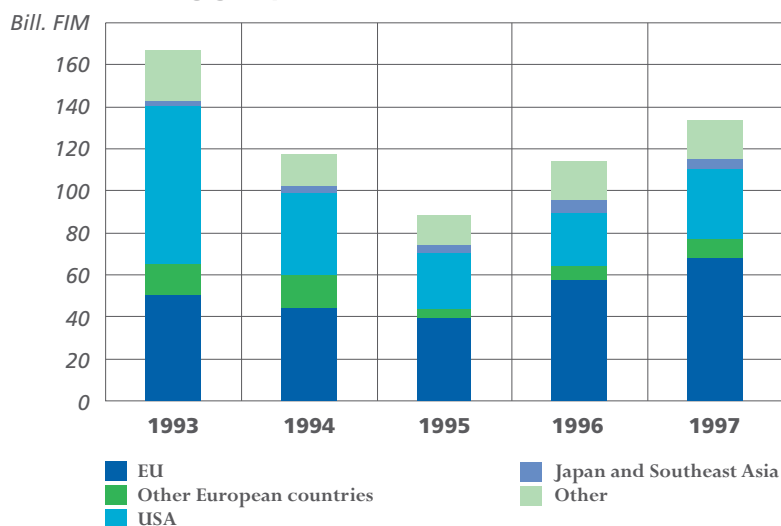
The amount of loans granted by Finnish banks to Southeast Asia (mainly Indonesia, Malaysia and Thailand), Japan and South Korea is, however,

quite small. At the end of 1997, claims on these countries amounted to less than FIM 10 billion and were primarily short-term interbank loans.

Liquidity risk

In 1997, maturities used in bank funding became shorter, so that, on average, the maturity mismatch between assets and liabilities widened. Compared to the previous year, differences

Banking groups' external claims, 1993–1997



between individual banks also became more pronounced.

The maturity of bank funding shortened clearly compared to the average level of the previous year, which is evidenced by the fact that liabilities with remaining maturity up to one month have on average increased their share of total liabilities. For maturities up to six months, the share remained unchanged. Balance sheets were boosted by bank-issued certificates of deposit and liabilities to credit institutions and central banks. Liabilities to credit institutions and central banks are composed mostly of short-term funding, which helps to explain the increase in the share of funding with one-month maturity.

Liabilities with remaining maturity up to one month represented on average 41% of total liabilities, as compared to 34% in 1996. For maturities up to six months, the share remained almost unchanged, accounting on average for 59% of total liabilities. This calculation is based on the assumption

that 30% of sight deposits fall due and payable within one month.

Generally, the financing spread accounted for a greater share of banks' total liabilities, although variation among banks also increased in this respect. The one-month maturity mismatch was 5–15% of banks' total liabilities, as compared to 3–8% in 1996. The corresponding mismatch for the six-month maturity was 3–15%, as compared to 4–7% in 1996. Liquidity risk ratios from the years 1996 and 1997 are not fully comparable with each other due to a change in bank reporting rules at the start of 1997.

Interest rate risk

Interest rate risk monitoring seeks to measure how sensitive banks' earnings are to changes in interest rates, as well as determine banks' abilities to bear risk relative to prevailing interest levels. In the balance sheets of banks, the maturity or repricing period for loans is normally longer than for deposits. This asset/liability maturity structure expos-

es banks to losses in the event interest rates rise, whereas a fall in interest rates would generate higher profits.

The two basic tasks of a bank are financial intermediation and investment. Interest rate risk is measured by the *income risk* relating to financial intermediation and arising as a result of maturity mismatches between assets and liabilities and by the *investment risk* inherent in trading securities.

Income risk stems from the balance sheet effects of changes in interest rates on the financing of a short-term (less than one-year) maturity deficiency and on the investment of an excess for one year, starting from the reporting date. Depositor behaviour has proven to be quite inflexible in response to changes in interest rates. For this reason, the income risk of markka-denominated items is calculated using different assumptions regarding repricing of sight deposits. The purpose is to assess the effects of such assumptions on risk calculations. The later the repricing of sight deposits occurs, the more favourable impact an increase in interest rates has on banks' earnings. At the end of 1997, a one percentage point rise in market interest rates would have caused FIM 1,082 million in losses to Finnish deposit banks if sight deposits had been repriced immediately. Assuming rates on sight deposits do not respond to changes in market interest rates, a one percentage point increase in market interest rates would have increased banks' earnings by FIM 541 million.

Investment risk measures the effect of a one percentage point rise in interest rates on the market value of debt

securities held as trading assets. Banks themselves indicate their sensitivity to changes in interest rates (change in market value). This type of investment risk calculation also takes account of the sensitivity of off-balance sheet items held as trading assets to changes in interest rates (change in market value in response to a rise in interest rates). With conditions prevailing as at the end of 1997, a one percentage point rise in market interest rates would cause FIM 513 million in losses to banks.

In assessing interest rate risk, account is taken of the combined effect of income risk and investment risk. Measuring the interest rate risk of all banks in the same manner makes it possible to compare banks with each other and identify those banks that incur excessively large interest rate risks relative to risk-bearing capacity. The measure estimates total loss of realized income created by a one percentage point rise in interest rates (assuming that the sight deposits are repriced immediately). The interest rate risk obtained in this manner is calculated in relation to net income from financial operations at the end of the previous year. According to FSA calculations, banks' aggregate interest rate risk totalled FIM 1,592 million at the end of 1997. The amount includes income risk arising from currency positions. Consequently, a one percentage point rise in interest rates would have caused FIM 1,592 million in losses to banks, which corresponds to 14% of net income from financial operations. This can still be considered reasonable.

The effects of changes in interest rates are also estimated in terms of

Deposit banks' interest rate risk, 31 Dec 1997

Effect of a one percentage point rise in interest rates on banks' interest rate risk position.

	Mill. FIM
Income risk	
Markka-denominated items	
a) assumption: sight deposits repriced immediately	- 1 082
b) sight deposits and related interest remain unchanged	541
Currency-denominated items (aggregated, excl. FIM)	12
Investment risk	
Sensitivity of debt security holdings to changes in interest rates	-513
Sensitivity of off-balance sheet commitments to changes in interest rates	-9
Total interest rate risk (income risk + investment risk)	- 1 592
Net interest income (31 Dec 1997)	11 446
Interest rate risk as per cent of net interest income	14 %
Investment risk of assets held for investment purposes	-647

Income risk stems from the balance sheet effects of changes in interest rates on the financing of a short-term (less than one-year) maturity deficiency and on the investment of an excess for one year, starting from the reporting date. The calculations are based on different assumptions regarding repricing of sight deposits.

Investment risk measures the effect of a one percentage point rise in interest rates on the market value of debt securities held as trading assets. The calculation also takes account of the sensitivity of off-balance sheet commitments to changes in interest rates.

Total interest rate risk: estimated total loss from realized income and investment risk for markka- and foreign currency-denominated items (assuming that sight deposits are repriced immediately).

Investment risk of assets held for investment purposes reflects the effect of a one percentage point rise in interest rates on the market value of debt securities held for investment purposes. The calculation takes account of off-balance sheet commitments.

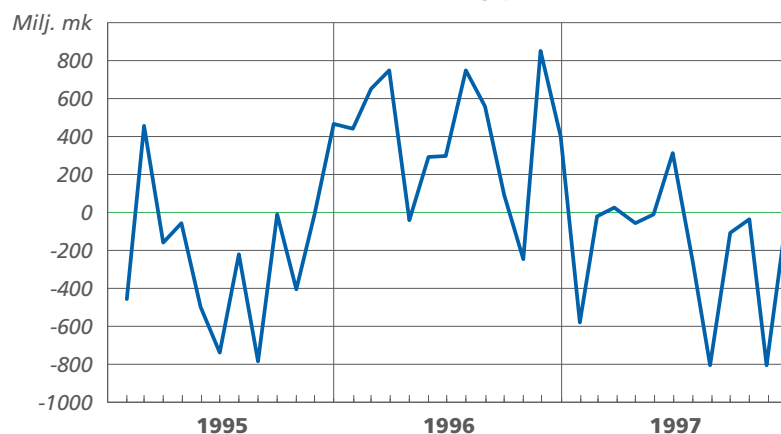
	Mill. FIM
Interest rate linkage	
Linked to the Bank of Finland's base rate	176
Linked to market rates	686
Linked to prime rates	19
Linked to other own reference rates	-64
Linked to administered rates	-475
Fixed-rate items	-1 492
Total interest rate risk	-1 150
Interest rate risk as per cent of net interest income	10 %

interest rate linkage. In this type of analysis, the main emphasis is on amounts of balance sheet items. As pricing principles vary according to interest rate linkage, the effects of interest rate changes are calculated separately for each item depending on its interest rate linkage. For example, base-rate-linked items are repriced immediately, while market-rate-linked items are repriced according to the nearest interest revision period. At the

end of 1997 the risk incurred by Finnish deposit banks with respect to interest rate linkage stood at FIM 1,150 million. In other words, a one percentage point rise in interest rates would have caused a loss of FIM 1,150 million for the year. The interest rate risk was 10% of net income from financial operations, which again can be regarded as reasonable.

Banks' assets also include bonds held for investment purposes. In assessing the investment risk involved in

Distribution of banks' currency position, 1995–1997



Observations on last day of month. In addition to on-balance sheet items, the currency position includes off-balance sheet items that influence foreign exchange rate risk. The banks' currency positions are added up against the markka. A currency position below zero indicates that the banks have foreign currency-denominated debt against the markka.

these securities, account is also taken of changes in the market values of derivative contracts possibly entered into for hedging such securities. As these securities are intended to be held to maturity, they entail the risk of lost income, when the funding maturity differs from the investment maturity. The FSA also monitors the investment risk associated with an investment portfolio, that would be incurred if, for some reason, the portfolio assets had to be liquidated immediately. The portfolio risk at the end of 1997 amounted to FIM 647 million.

Changes in interest rates also have indirect effects on credit demand, nonperforming assets, loan losses, market values of investments and collateral and other factors that affect bank earnings. A bank's view on interest rates reflects in its position-taking and risk-taking strategy, which ultimately determine the sensitivity of its earnings to changes in interest rates.

Foreign exchange rate risk

Changes in foreign exchange rates are reflected in credit institutions' operating results via currency positions in their balance sheets and off-balance sheet commitments. Risk taking by credit institutions that engage in foreign currency business is restricted by limits imposed on exchange-rate-sensitive open currency positions.

Currency position limits serve to restrict credit institutions' currency risk taking relative to risk-bearing capacity, ie relative to own funds. The limits imposed on currency positions do not restrict the scope of credit institutions' currency operations, only positions not hedged against foreign exchange rate risk.

In spring 1997, the FSA issued a regulation on raising the currency position limits of those credit institutions approved by the Bank of Finland as counterparties in foreign exchange operations, so that the position limits would comply with Nordic and interna-

tional standards. In addition to new currency position limits, Finnish credit institutions engaged in foreign currency business were also required to set aside, from the end of 1996, a certain amount of own funds for the purpose of covering foreign exchange rate risk in accordance with the EU's Directive on the Capital Adequacy of Investment Firms and Credit Institutions.

Finnish banks were cautious with respect to foreign exchange rate risk. The aggregate exchange-rate-sensitive open position of banks was not large, and individual banks seldom reached the imposed limits.

CAPITAL MARKET

Changes in Finland's capital market infrastructure

Finland's capital market structure underwent a number of changes in 1997. Of these, the most important were the merger of the Helsinki Stock Exchange Ltd and SOM Ltd, Finnish Securities and Derivatives Exchange, Clearing House to form HEX Ltd, Helsinki Stock and Derivatives Exchange, Clearing House and the start-up of operations by the Finnish Central Securities Depository Ltd (FCSD).

HEX Ltd opened officially for business on 29 December 1997 after having obtained authorization to act as a securities and an options and futures exchange. The merger plan was made public already in July. At the end of 1997, there were a total of 34 brokerage firms and market makers conducting both securities and derivatives trade on the HEX exchange. The largest

shareholders of HEX Ltd are the Merita Group, the Swedish OM Gruppen AB, the OKO Group, Postipankki plc and the Evli Group.

The Finnish Central Securities Depository Ltd (FCSD) commenced operations immediately at the start of 1997. Its task is to offer market participants clearing and settlement services for book-entry securities on a centralized basis.

The establishment of both HEX Ltd and the FCSD was aimed at enhancing the efficiency of the Finnish securities markets and improving their competitiveness in response to the expansion and globalization of the financial markets. Stage Three of the EMU, in particular, is expected to boost volumes in securities trade and intensify competition among national financial markets.

The volume of securities trade contributed to an increase in the supply of asset management services. As a result, investment firms specializing in discretionary asset management services and mutual funds providing collective asset management services established themselves in the markets. The changing investment behaviour of private investors and certain institutional investors should further increase demand for asset management services in the future. In addition, a number of structural factors enhance investment in securities, particularly in equities and mutual funds.

Authorizations were granted to a total of 38 investment firms. Of these, 23 were also authorized to provide asset management services. Among the authorized firms, there were 11 firms in foreign ownership.

Fee income generated by investment firms for 1997 totalled about FIM 890 million, with the aggregate operating profit amounting to FIM 469 million. These investment firms were authorized under the Investment Firms Act and were operative throughout the financial year 1997. The figures for 1996 and 1997 are not comparable, due to the increase in the amount of services subject to authorization as well as changes in corporate structure. On the basis of declared profits, however, it is the case that there was a substantial increase in both fee income and operating profits. Investment firms' combined net income from own trade was clearly positive. Investment firms' own funds have been adequate in light of the requirements imposed by the Investment Firms Act. The Investment Firms Act establishes solvency requirements for investment firms in a manner similar to banks. No investment firms operating in the Finnish markets had difficulties in meeting these requirements in 1997.

Nominee registration

International institutional investors play a significant role in Finnish securities markets. At the end of 1997, foreign investors held some FIM 174 billion worth of Finnish shares. Foreign shareholdings amounted to about 43% of the market capitalization of listed shares.

The fact that foreign investors can own Finnish shares anonymously via nominee registration has been publicly criticized. It has been proposed that for foreign investors this option should be abolished, as domestic investors are not allowed to have their shares held under nominee registration. However, such registration is permitted in most other EU countries. In practice, it would be impossible to evaluate beforehand how the abolition of nominee registration would affect foreign investor interest in Finnish markets. The Ministry of Finance is presently preparing a legislative amendment which, rather than abolishing nominee registration, would reduce the present 10% limit for disclosure of large shareholdings, and simultaneously improve the supervisory authorities' right to obtain information on the beneficial owners of shares maintained under nominee registration. Also IOSCO, the worldwide organization for securities market supervisors, emphasizes the importance of identifying beneficial owners, and promotes the effective exchange of information in this respect among authorities.

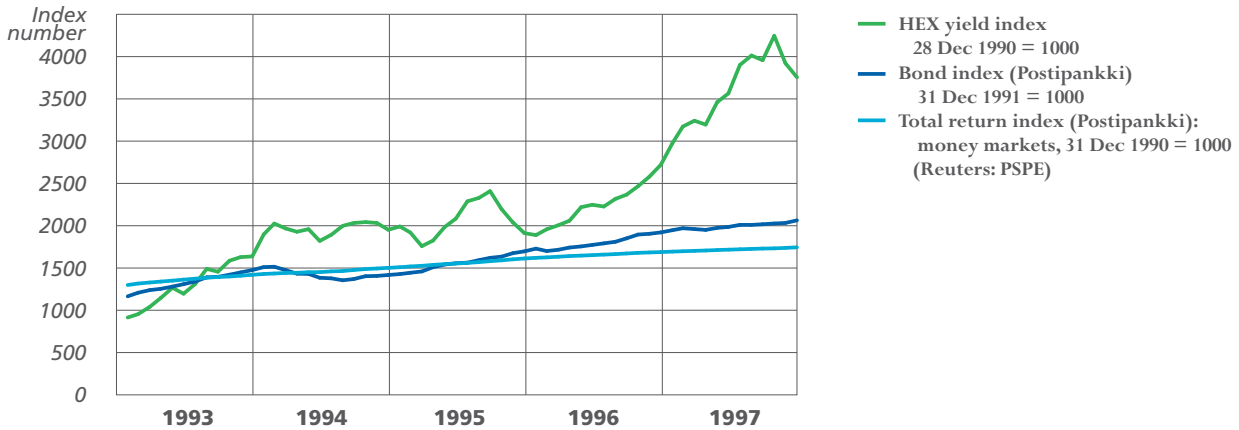
The stock market

Trading volumes on the Helsinki Stock Exchange reached all-time highs. The value of share turnover amounted to FIM 189 billion, up 84% for the year. Average daily turnover totalled

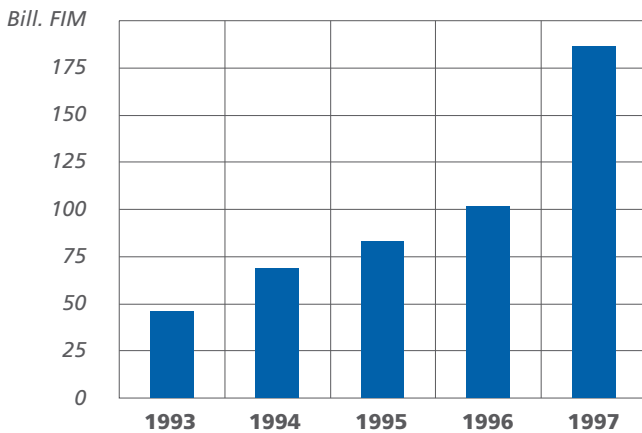
Publicly traded companies, 1993–1997

	1993	1994	1995	1996	1997
Official List	58	65	73	71	80
OTC list	39	33	32	31	32
Brokers' list	30	20	15	14	15

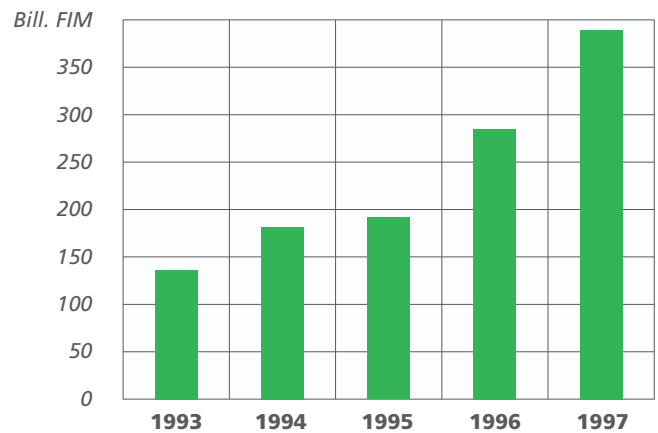
**Development of total return indices:
equity and money markets, 1993–1997**



**Share turnover on Helsinki Exchanges
(HEX Ltd), 1993–1997**



**Market capitalization of listed shares on
Helsinki Exchanges (HEX Ltd), 1993–1997**



FIM 747 million, as compared to FIM 405 million in 1996.

Trading concentrated more than ever on a few share series. The shares of five companies accounted for more than 60% of total turnover. Trading in Nokia shares (series A and K) alone represented about 42% of total turnover. In addition, the market share of the nine largest brokerage firms was more than 80% of total turnover.

Price developments in the stock market reflected expectations of a

continuing favourable economic outlook. From the start of 1997 the HEX all-share index rallied 32%. By mid-October, just prior to the outbreak of Asian financial turmoil, average prices had risen by as much as 56%. However, the crisis in Southeast Asian markets also lowered share prices in Finland. For the year, total market capitalization of listed shares had increased ca 37 % since the end of 1996 to a total of FIM 389 billion.

Owing to good profitability and a low degree of investment, companies

reverted to the markets to raise slightly less than FIM 2 billion in new equity capital. Nine new companies were admitted for official listing. At the end of the year, the shares of 127 companies were traded on the Official List, OTC list and brokers' list. The company number is low compared to that of companies listed on other Nordic stock exchanges, but is likely to grow in the next few years following stock exchange plans for revision of listing rules and privatization of state-owned companies.

The bond market

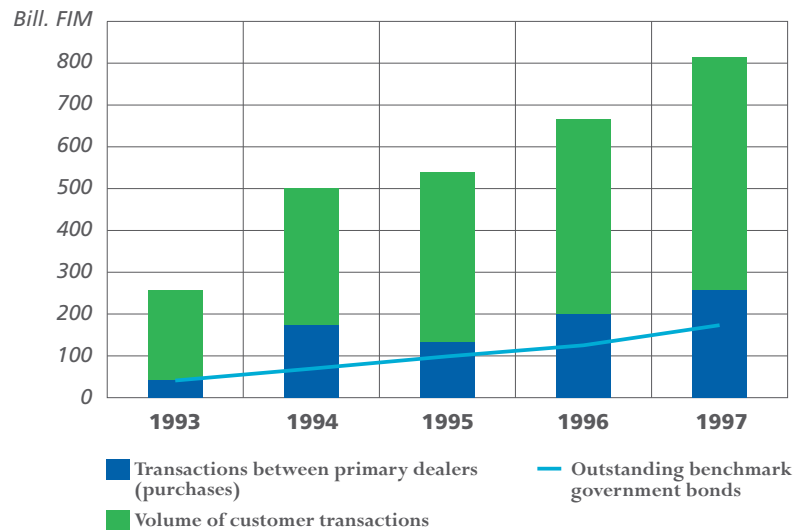
In the bond market, the Finnish government continues to be the most significant issuer by far, although its bond issues contracted by 7% in line with the government's reduced borrowing requirements. Government bonds account for 75% of outstanding markka bonds. In the other Nordic countries, the government share of bonds is considerably lower. However, the total nominal value of markka bonds amounted to FIM 280 billion at the end of 1997, reflecting an increase of some 13% over the previous year.

Bond trading is almost entirely focused on benchmark government bonds. The nominal value of benchmark bonds was in the region of FIM 170 billion at the end of 1997. Of the benchmark bonds, about one-fifth was held by foreign investors.

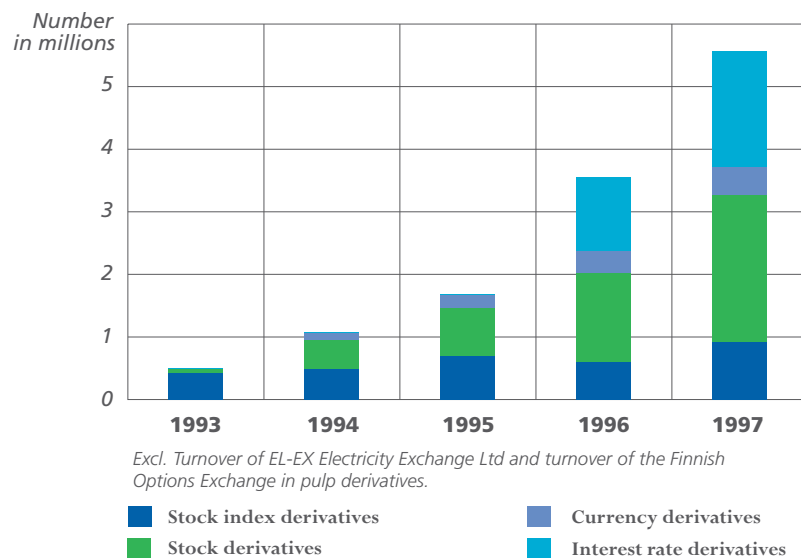
The Finnish bond market is not only characterized by the predominance of trading in government benchmark bonds, but also by the fact that nearly all bond trading takes place off the exchange in the interbank market. This leads to inefficient bond price formation. Except for government bonds, bond liquidity is quite poor, which has acted as a constraint on the development of the private sector bond market. In 1997, for example, the amount of corporate bonds and bonds issued by financial institutions was rather small, though notably banks increased their issues of markka-denominated bonds later in the year.

It is probable that the number of private issuers will grow in the next few years. The already well-function-

Turnover of benchmark government bonds, 1993–1997



Turnover of standardized derivatives contracts, on Helsinki Exchanges (HEX Ltd) and Finnish Options Exchange (SOP) 1993–1997

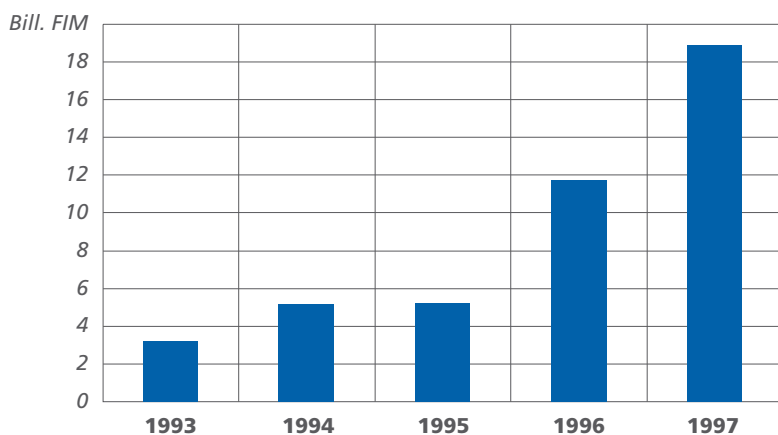


ing government bond market should help foster development of this sector of the market as well. The bond market will also be boosted by the changeover to the euro and a common monetary policy. Removal of technical barriers, such as changing over from physical paper environments to elec-

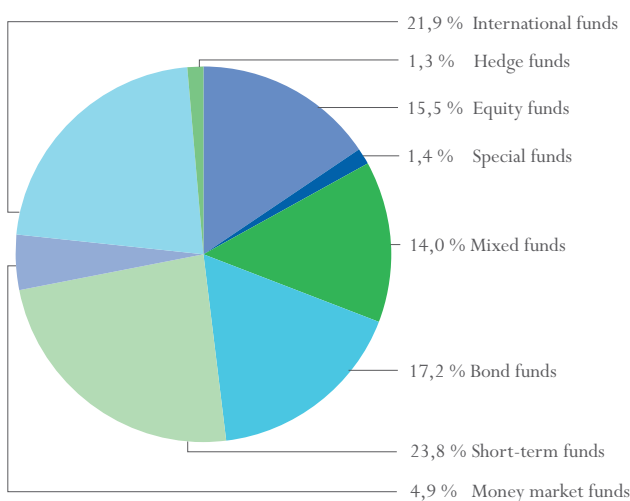
tronic book-entry systems, should help lower trading costs, and thereby enhance bond liquidity.

There were no significant changes in money market structure during 1997. The amount of Treasury bills fell, while the amount of bank-issued certificates of deposit increased.

Development of mutual funds' net assets, 1993–1997



Mutual funds' net assets by type of fund, 31 Dec 1997



Derivatives trading¹

Stock market volatility increased investors' interest in derivatives as well. The number of contracts made with SOM grew by 84% from 1996. Stock index and stock-based derivatives accounted for about one-half of trades cleared by SOM. With regard to stock-based derivatives, trading activity was particularly brisk in STOX options and forward contracts, and with regard to interest-rate-based derivatives, in for-

¹ Standardized derivatives

ward rate agreements (FRAs). EL-EX Electricity Exchange Ltd traded more than 1.5 million electricity derivative contracts. In December, SOM commenced trading in a new product, interest rate swaps.

At the end of the year, SOM Ltd signed a letter of intent with Suomen Kantaverkko plc on selling the share stock of EL-EX Electricity Exchange Ltd. The sale occurred in January 1998.

The Finnish Options Exchange Ltd started trading in pulp derivatives in

February. Contract volume for the year was small.

Mutual funds

The net assets of mutual funds increased by 61% over the previous year. Growth halted late in the year, when unit redemptions outpaced subscriptions in connection with short-term funds and money market funds. The drastic fall in share prices had no marked impact on the size of equity and mixed funds that invest in Finland and the Nordic countries; new subscriptions placed with these funds helped offset the effects of the price collapse at the end of the year. Global price gyrations reflected most in the performance of international funds. At the end of the year, the net assets of Finnish mutual funds stood at about FIM 19 billion, which is still low by international standards.

The range of mutual funds available to investors was broadened in 1997. Several management companies established international funds in particular. Two mutual funds investing in small-cap companies also commenced operations. Twenty-two new mutual funds were set up in the course of the year.

A number of management companies considered the establishment of so-called special funds. The first fund of this type began operations during 1997. A special fund can choose its investment policy and make investment decisions rather freely, because it is not required to comply with all the investment-related restrictions imposed by the Mutual Funds Act. Such funds are also free to set lower frequencies for subscription and redemption of units than ordinary mutual funds.

Book-entry and clearing and settlement systems

Issuance of book-entry securities, services related to owner and debtor registers as well as clearing and settlement of book-entry trades in both equity and debt are handled in the systems of the Finnish Central Securities Depository Ltd (FCSD) on a centralized basis.

Many of FCSD duties are prescribed by law. As the FCSD holds a virtual monopoly on a range of tasks, legislation plays a key role in determining how those tasks are to be performed. The FCSD's own rules and regulations also constitute an important regulatory tool in this respect, because book-entry registrars and parties to the clearing and settlement process must comply with them.

During 1998–2000, Finland's book-entry registers will be consolidated at the FCSD. The goal of such consolidations is to increase the efficiency of clearing and settlement. Thereafter, the FCSD will be Finland's sole book-entry registrar, as the present commercial registrars, inter alia banks, will be agents of the FCSD. The concentration is still subject to legislative changes and approval from the Ministry of Finance. For debt securities, preparations for consolidation of registers are already well along, as the technical demands are less challenging than for equity markets.

LEGISLATION

During 1997, a number of amendments were made to Finland's legislation on

The main laws for which compliance is supervised by the FSA

Commercial Bank Act (30.12.1993/1607, Ra 107)
Savings Bank Act (28.12.1990/1269, Ra 108)
Commercial Bank Act (28.12.1990/1270, Ra 109)
Cooperative Bank Act (28.12.1990/1270, Ra 110)
Postipankki Ltd Act (11.12.1987/972, Ra 111)
Act on Foreign Credit and Financial Institutions in Finland (30.12.1993/1608, Ra 112)
Act on Mortgage Societies (8.12.1978/936, Ra 113)
Act on the Conversion of Savings Banks into Limited Banks (6.11.1992/972)
Act on the Government Guarantee Fund (30.4.1992/379, Ra 115)
Securities Markets Act (26.5.1989/495, Ra 116)
Act on Trading in Standardized Options and Futures (26.8.1998/772, Ra 117)
Mutual Funds Act (8.5.1987/480, Ra 118)
Act on the Book Entry System (17.5.1991/826, Ra 120)
Act on the Book Entry Accounts (17.5.1991/827, Ra 122)
Investment Firms Act (26.7.1996/579, Ra 119)
Act on Foreign Investment Firms' Right to Provide Investment Service in Finland (26.7.1996/580, Ra 119 a)

credit institutions and investment firms. Other legislative proposals, also concerning the financial markets, were submitted to Parliament. The following discussion examines these as well as a number of acts that have entered into force since the start of 1998.

The FSA participated actively in the development of the legislative framework. The most significant working groups in this field were the group for revision of credit institutions legislation, the Securities 2000 group and the working group on development of credit legislation, set up by the Ministry of Finance. The FSA also took part in the working group on account transfers under the Ministry of Justice.

Legislation on credit institutions and investment firms

The amendments made to the Credit Institutions Act and the Investment Firms Act that entered into force in September 1997 were mainly technical and were made in response to amendments to the Companies Act. The amendments that took effect at the

beginning of 1998 (Government Proposal 208/97) included certain significant changes aimed at legislative harmonization, intensified supervision and improved information on the financial position of credit institutions and investment firms.

Provisions concerning annual accounts were among the changes made to harmonize legislation on credit institutions and investment firms with the Accounting Act and the Companies Act. Under another amendment made at the same time, the Ministry of Finance was given the general responsibility to decide on the layouts of the profit and loss account and the balance sheet to be drawn up by a credit institution and an investment firm and their group. The Ministry will also decide on the notes to the financial statement and what information must be mentioned in the annual report. The FSA will issue more detailed provisions on the drawing up of annual accounts and consolidated accounts.

Disclosure requirement for information on credit institutions' and in-

vestment firms' financial positions was tightened with a provision that permits marking of securities of current assets' nature to market in line with international practice.

All deposit banks were obliged to publish an interim report for the first six months (semi-annual) of the financial year or at four and eight months (first and second tertial). The interim report must contain an interim profit and loss account and an interim balance sheet as well as a description of the performance and all significant changes in assets, liabilities and off-balance sheet commitments. Moreover, the report must describe all significant changes in the operating environment and assess the probable developments of the bank's financial position during the accounting period.

The provisions concerning audit and auditors were amended so that only an authorized auditor referred to in the Audit Act can be elected as an auditor of a credit institution. At least one of the auditors must be an auditor or a firm of auditors chartered by the Central Chamber of Commerce.

The general provision on risk management of credit institutions and investment firms was amended so that the FSA is now empowered to issue regulations on requirements concerning risk management systems and other internal control mechanisms of credit institutions and investment firms.

On the basis of a proposal that the FSA submitted to the Ministry of Finance, the Credit Institutions Act was amended so that credit institutions can now act as postal service outlets. The

extent of the post services to be provided is determined by an agreement between the credit institution concerned and the holder of the licence for postal operations.

Reform of the deposit guarantee scheme

The Finnish deposit guarantee scheme was revised as from 1 January 1998. Under the new scheme, deposits are guaranteed up to FIM 150,000 per depositor per bank. Deposits with the Amalgamation of cooperative banks are guaranteed collectively up to FIM 150,000.

If a deposit bank becomes insolvent, a deposit guarantee fund common to all banks pays compensation to the depositors. Banks' membership in this fund, supervised by the FSA, is mandatory.

Deposits with branches of foreign banks operating in Finland are covered by the deposit guarantee scheme of the bank's home state.

Preventing of money laundering

The legislation on preventing and clearing of money laundering was amended by combining all anti-money laundering provisions into a single act. The amendments took effect 1 March 1998. From the viewpoint of the entities supervised by the FSA, the most significant change was abolition of the two-phase reporting procedure.

Reports on suspicious transactions no longer need to be submitted to the FSA, but rather are sent directly to the newly established central "Money Laundering Clearing House" which

operates under the National Bureau of Investigation.

The Act on Preventing and Clearing Money Laundering increases the number of organizations under the obligation to report. The reporting requirement now extends outside the financial sector and the insurance field, and includes licensed gambling operations and real estate agents. The reporting requirement also applies to financial institutions that are not supervised by authorities, but engage in similar activities (eg finance companies within groups), foreign financial institutions' places of business in Finland and entities providing auxiliary investment services.

Legislation on clearing, settlement and trading of securities

The Act on clearing and settlement of trades in securities, derivatives and foreign exchange transactions entered into force at the beginning of July 1997. According to the Act, cash payment and surrender of securities in a transaction occurring via clearing houses can be netted as agreed even in a set-off situation where one of the parties has been declared bankrupt by a court or other insolvency proceedings have been initiated against that party. The Act also contains provisions to ensure effective margining and rules for realization of collateral by the clearing house.

The Act on Trading in Standardized Options and Futures was amended in early September. The Act was amended to allow trade in options and futures based on the price of electricity and extend supervisory authority to

cover the newly established electricity exchange.

Real Estate Funds Act

A Government Proposal for the Real Estate Funds Act (77/1997) was submitted to Parliament 15 May 1997. The new Act entered into force 1 March 1998. The Act applies to real estate funds' activities and enables the public to make collective investments in real estates through a real estate fund that has the legal form of a limited liability company.

A real estate fund must adopt rules to govern its investments in real estate, and these rules are subject to FSA approval. The rules must include specification of fund investment policies and restrictions, principles for determining and publishing of the value of fund shares, principles regarding the use of loan capital as well as the intention to enter into derivatives contracts or agreements involving the lending or repurchasing of securities.

A qualified independent agent must assess the assets of the real estate fund. The real estate funds are also obliged to seek listing of their shares for public trade.

The FSA does not supervise real estate funds directly; rather the FSA seeks to ensure that such funds comply with the disclosure requirements laid down in the Securities Markets Act.

Settlement operations act

The Government Proposal for an Act on Clearing and Settlement of Securities Trade (209/1997) was submitted to Parliament 31 October 1997. The proposal was still pending at the beginning of 1998.

A new chapter 4a concerning completion of securities trades, ie clearing and settlement operations, will be included in the Securities Markets Act. A clearing house would be able to engage clearing and settlement operations if it is constituted in the legal form of a limited liability company, it has authorization granted by a competent Ministry, and the same Ministry has approved its rules. The Act will also contain provisions on clearing parties, which are mainly securities brokerage firms. According to the Act, the activities of clearing parties will be, as a rule, subject to authorization and special requirements, including a minimum share capital of FIM 5 million. Clearing houses and clearing parties will be supervised by the FSA.

Restricted use of an index clause

The Act on Restricted Use of an Index Clause was amended on the basis of the FSA's proposal as from 1 January 1998. This amendment mainly affects the market for indexed loans. After the amendment of this Act, eg

the interest rate of a bond can be linked to the index describing price developments of shares that are listed on any domestic or foreign stock exchange. In the past, it was only possible to link the interest rate to the index of a stock exchange operating in some member state of the European Economic Area. The Act was further amended so as to permit the linking of investment items referred to in the Investment Firms Act to some other index clause, as well.

Legislation under preparation

During 1998, an investor compensation fund, in accordance with the directive of the European Parliament and the EU Council, will be established in Finland. Membership in this fund is obligatory to investment firms and credit institutions. By virtue of the directive and the future legislation, investors would be eligible for compensation from the investor compensation fund, if an investment firm or a credit institution cannot fulfil its obligations eg due to bankruptcy. According to advance information, the fund can pay an investor a maximum statutory compensation of ECU 20,000. The fund will not compensate for losses in investment activities. The FSA will supervise the compensation fund. The directive must be implemented in September 1998 at latest.

Activities 1997

SUPERVISION OF CREDIT INSTITUTIONS

Inspections of credit institutions focused increasingly on new key areas, including real estate risks, correctness of reporting and information systems of supervised entities. New key areas for inspections mainly concerned large supervised entities. Inspections related to real estate risks paid attention to management of investment activities, reporting and returns on invested capital. The returns on credit institutions' invested capital have continued to grow, but in order to achieve a satisfactory level of return, the demand for space needs to increase further.

Inspections of smaller supervised entities were of a general nature with special focus on the aspects of management and financial position. Inspections were also made at branches of Finnish banks located elsewhere in Europe.

In addition to about 60 inspections, the FSA paid supervisory visits to foreign representative offices in Finland and Finnish banks' representative offices and branches abroad. The FSA also monitored developments of supervised entities' financial positions and risk positions on the basis of various reports and other supervisory information provided by the entities to the FSA (see The financial condition of credit institutions, page 6).

The number of banks directly supervised by the FSA increased due to the changes in the group of cooperative banks. After abolition of the Cooperative Bank Inspectorate, the member banks of the newly establish-

ed Amalgamation of cooperative banks as well as the local cooperative banks who chose to stay outside the new organization have been directly supervised by the FSA.

The FSA continued its meetings and contacts with the Savings Bank Inspectorate. Subjects discussed at the meetings included key areas of activities, inspection plans, significant findings made in the course of inspections, and the status and reporting of savings banks.

Critical assessments describing the supervised entities' status were introduced. During the year under review, the FSA prepared two such assessments on the basis of supervisory information and information obtained in inspections. These critical assessments served as a basis for feedback discussions with supervised entities. Future FSA inspections will be targeted on the basis of these assessments.

The FSA examined banks' operating risks, that is, the risks arising from the general operations of banks. FSA inspections assessed the functionality and adequacy of banks' own risk management systems and other internal controls. Risks arising from banks' general operations include inadequate or disturbance-prone information systems, failures in internal monitoring systems, lack of professional skills on the part of staff, and possible fraud or other criminal activity. In inspections of risk management systems, the FSA examined whether credit institutions had risk management units operating independently and responsible for monitoring, analysis and reporting of risks.

Financial market practices

Supervision of contractual terms, marketing and practices focused on loan contracts and other contracts with standard terms. Credit institutions are required to submit their standard contracts to the FSA for consideration. The FSA also worked with the representative organization of pawnshop owners to develop a set of model contracts.

Customers of supervised entities submitted fewer requests for investigation than in 1996, a total of 287 requests. Some 1,000 cases, about half the number of the previous year, were reported by telephone. The customers' problems mainly related to lending and collateral. General opinions on the most frequent problems are posted on the FSA's Internet website.

Towards the end of 1997, the National Consumer Administration, the Finnish Bankers' Association and the FSA signed a mutual agreement on establishing of a customer inquiry office for the banking sector. The office will start operations during 1998.

Payment transactions

The FSA supervises payment systems in cooperation with the Bank of Finland. During 1997, the central bank and the FSA engaged in a comprehensive joint project on payment system risks that aimed at identifying areas needing greater supervision, regulation or supervisory cooperation. In spring 1997, the FSA introduced separate inspections of payment transactions and at first concentrated primarily on small banks and foreign branches. Towards the end of the year, the FSA also in-

spected the foreign payment transactions of one large bank.

In cooperation with the Bank of Finland, the FSA inspected the clearing and settlement process of foreign exchange transactions and their risk management in the three largest commercial banks. The principles applied in the inspection were those enunciated by the G-10 in connection with a similar study. In order to reduce their settlement risk, all three banks had plans to introduce netting, enhance internal processing and make improvements in their correspondent banking services.

SUPERVISION OF THE CAPITAL MARKETS

Investment firms

According to the Investment Firms Act, which entered into force 1996, providers of investment services must apply for an authorization of an investment firm from the Ministry of Finance. So far, 48 firms have applied for such authorization. In 1997, the FSA conducted authorization inspections at 23 applicant firms. In most cases, applicant firms corrected the deficiencies found in the inspections before the FSA issued an opinion on authorization of such firms to the Ministry of Finance.

Towards the end of the year, the FSA inspected activities of asset management companies. The purpose of this inspection was to examine these companies' organization of asset management, compliance with the investment limits and strategies agreed with customers, reporting to customers as

well as their commission income and its structure. It was also examined whether asset management should be regulated more comprehensively.

The inspections showed that the asset management companies had complied well with the investment strategies and limits laid down in their asset management contracts. However, the structure of their commission income showed remarkable differences. For some asset management companies, the commission income consisted exclusively of fees charged for asset management, whereas some other companies' income comprised brokerage fees from authorized brokerage firms. The FSA considers that the latter commission practice may encourage an asset management company to trade more than might otherwise be in customer's interests.

The criteria for calculation of asset management fees were often described rather broadly in asset management contracts. Therefore, the FSA reminded asset management companies that their contracts should specify unambiguously the calculation criteria for asset management fees, whether they are based on the value of or the returns on the assets.

The inspections of asset management companies also showed that the returns on the portfolio, the benchmark index and the commissions paid were not always reported to customers. The calculation criteria for portfolio returns were also left out of asset management company reports in some cases.

The FSA also monitored investment firms' compliance with the re-

quired financial prerequisites for operating. The FSA further supervised on the basis of the firms' regular reports their compliance with the requirements concerning the minimum amount of own funds, provisions on capital adequacy and restrictions concerning large customer exposures.

The FSA processed 163 applications connected with mutual funds, and conducted authorization inspections at two new management companies. On the basis of monthly reports the FSA supervised developments of the fund's capital, compliance with the limits provided by the Mutual Funds Act and the investment policies laid down in the rules of the funds and use of eg derivatives. No notices were issued on the basis of the reports submitted by the mutual funds.

Book-entry system

The FSA supervised book-entry, payment and information systems in cooperation with the Bank of Finland. In supervision of the FCSD, the FSA paid particular attention to its capacity to cope with exceptional situations.

During the year under review, three brokerage firms applied for permission to book their trades with the book-entry register operated by Helsingin Arvo-osuuskeskus Oy (Helsinki Book-Entry Central Ltd). Two firms also applied for the right to establish and maintain a book-entry register. The FSA delivered its opinions on these applications to the Ministry of Finance.

Market supervision

The cooperation between SOM Ltd, Securities and Derivatives Exchange,

Clearing House (SOM) and the corresponding Swedish derivatives exchange, OM Stockholm AB, on creation of a unified market for Nordic derivatives products led to close supervisory cooperation among the Swedish, Norwegian, British and Finnish supervisory authorities. There are plans to extend the unified Nordic derivatives market to cover a growing range of products in the next few years.

The insider register system (SIRE), introduced in 1996, was used for investigation of insider dealing. The system speeded up the tracing of parties in the trades but did not facilitate the identification of beneficial owners of nominee registered accounts.

In 1997, the FSA investigated several cases where abuse of insider information was suspected. In some cases the investigation continued in 1998. The FSA worked with foreign supervisory authorities in these investigations.

Issuers, credit institutions and investment firms are obliged to keep public registers of insider holdings. The FSA required that registrars are themselves responsible for inspecting the correctness of registered data. During 1997, the FSA made spot-checks of these registers, which currently number 500.

The disclosure of information by publicly listed companies was deficient in some cases. For example, there were a couple of cases where information to be published was allowed to circulate in the mass media before it reached the stock market's trading information system. The FSA notified several listed companies of their failure to properly disclose information.

In autumn 1997, the Supreme Administrative Court handed down a ruling on Finlandia Interface Oy's appeal concerning publishing of the consideration in respect of a corporate acquisition. In 1995 and 1996, the company had applied to the FSA for an exemption from information of the considerations in respect of two acquisitions. The FSA rejected the applications, and the applicant lodged an appeal to the Supreme Administrative Court. The Court rejected the applicant's appeal and ruled that the consideration must be published. The consideration was finally published about two years after the prescribed publishing date. Therefore, the process of appeal should be speeded up in cases concerning the disclosure requirements laid down in the Securities Markets Act.

Several equity and bond issues and secondary placings were arranged in 1997. The FSA approved a total of 179 sets of listing particulars and prospectuses and granted 47 exemptions connected with them.

SETTING OF STANDARDS

The FSA may issue regulations and guidelines to the supervised entities. The regulations deal with compliance with provisions concerning the supervised entities, and the guidelines are necessary for the purposes of supervision. The FSA regulations are legally binding on supervised entities, whereas guidelines are nonbinding.

Regulations and guidelines on annual accounts, solvency ratio and large exposures

At the beginning of 1997, an amendment of the regulation on the annual accounts of credit institutions took effect. As a result of this amendment, a credit institution must disclose in the notes to its annual accounts all its holdings of real estate and participations in real estate corporations other than those in its own use. Credit institutions must also report the principles and methods they apply in the valuation of real estate.

FSA guidelines on interim reports and account statements of credit institutions whose shares are subject to public trading entered into force at the beginning of the year. According to the relevant FSA guideline, a credit institution whose shares are subject to public trading must submit interim reports on a quarterly basis.

In early July, the FSA issued regulations on annual accounts, solvency ratio and large exposures to the Amalgamation of cooperative banks.

Regulations and guidelines concerning securities markets

The FSA regulations were updated for reporting of securities trades as well as declaration and registration of insider holdings. The updating clarified the interpretation of certain points in the regulations, including specification of scope of application of the legal provisions referred to in the regulations. The amended requirements for reporting of securities trades simplified the reporting procedure, especially for bonds.

Regulation and guideline concerning internal control system

At the beginning of 1998, amendments of the Credit Institutions Act and the Investment Firms Act entered into force. According to these amendments, the FSA shall issue regulations to supervised entities on requirements for their risk management and other internal control systems. A regulation on internal control systems and a supplementary guideline will enter into force on 1 April 1998.

OTHER ACTIVITIES

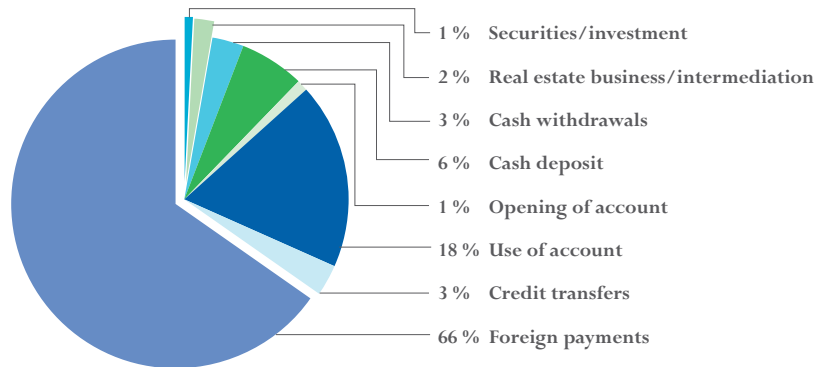
Preventing of money laundering

In 1997, the FSA received 149 reports on suspected cases of money laundering. Of these reports, 124 were referred to the National Bureau of Investigation. Since the beginning of 1994, the FSA has registered a total of 1,018 reports on money laundering.

For promotion of anti-money laundering activities the FSA cooperated closely with various authorities, supervised entities and their interest organizations both in Finland and internationally. The FSA also arranged training (in part within the framework of the EU-financed TACIS program) for Russian, Lithuanian and Latvian authorities responsible for supervision and pre-trial investigation of money laundering.

The legislative project on prevention of money laundering was completed. The Act on Preventing and Clearing Money Laundering, which entered into force 1 March 1998, alters the procedure of reporting of suspect-

Notifications to the FSA of suspected money laundering, 1994–1997
(by transaction)



ed money laundering. By virtue of this Act the Ministry of the Interior will issue a regulation concerning all entities subject to the duty to report. The FSA has participated in drafting of the regulation.

As its supervisory task requires, the FSA, both in its ongoing supervision and its inspections, continues to pay attention to the supervised entities' compliance with uniform anti-money laundering principles and to the functionality of their own organization and standards for prevention and detection of criminal activities.

Fitness and propriety assessments

The FSA assesses the management of firms to assure that they meet fit and proper criteria. It does this, for example, when it is preparing an opinion for the Ministry of Finance on whether an applicant seeking authorization fulfils the required criteria, or when new persons join a supervised entity's management. Such assessments concern a person's trustworthiness and fit-

ness as an owner, director or manager of an investment firm or a credit institution. A positive assessment is one of the preconditions for granting of an authorization. Assessed persons must continue to fulfil fit and proper criteria as long as they remain members of the supervised entity's management.

In 1997, the FSA made numerous fit and proper assessments, particularly because investment firms were obliged to apply for authorizations complying with the new Investment Firms Act. Particular attention was paid to possible judgements against the assessed persons on the basis of offences and to the adequacy of their prior experience of the financial sector.

DEVELOPMENT PROJECTS

The reliability of the FSA's operations as well as the quality and efficiency of its supervision were improved in internal working groups and cooperation groups of various other supervisory authorities.

A supervisory working group established by the FSA, the Bank of Finland, the Ministry of Social Affairs and Health and the Ministry of Finance examined objectives of financial and insurance supervision as well as improvement of the division of responsibilities in this field.

The Ministry of Social Affairs and Health and the FSA prepared a joint memorandum of understanding for the purpose of documenting and clarifying their cooperation in insurance supervision and financial supervision and the procedures applied in the various segments of supervision.

Production of statistics by authorities

The FSA, the Bank of Finland and Statistics Finland continued their joint project on production of statistics by these authorities. The purpose of this project is to harmonize the contents and form of the reports submitted by credit institutions to the authorities concerned. At the beginning of 1997, the group of authorities revamped the data collection concerning liquidity risks, interest rate risks, off-balance sheet commitments, nonperforming assets and the status of the banking system. Thereafter, they will alter the data collection in view of the introduction of the euro. During 1998, the electronic format for the data concerning capital adequacy will be harmonized with other electronic data collection.

Quality of supervision

The project on intensification and harmonization of supervision was completed. This project produced a model

for harmonization of the procedures and methods of inspections, which contributes to the reliability and efficiency of supervision.

The inspection process model was tested in practice by means of a simulation test used in operational development of organizations. The simulation method will also be applied to other working processes of the FSA.

The results of the project are being established as operational practices.

Operational objectives and policy

In 1997, the FSA defined its objectives and policy directions for the next few years. In discussions with staff, the FSA formulated a common understanding of how its operating environment is changing, how the FSA will prepare for the changes and what objectives it will pursue under the changing circumstances.

At the end of 1997, the FSA adopted a set of shared values: independence, transparency, productivity and professional skills. Ethical codes specifying the FSA's independence and loyalties will be adopted in writing in 1998.

Communications

The FSA continued to increase its emphasis on transparency and efficiency in its communications. Notable events during the year included the introduction of a publication series targeted for the supervised entities and the October opening of an Internet website (www.rata.bof.fi).

The FSA's website contains a large amount of previously unpublished information, such as information on the focuses in the FSA's activities, opinions

issued by the procedure group as well as announcements, requests for comment, discussion papers and opinions published in the FSA's publication series for supervised entities. All current FSA regulations and guidelines are downloadable from the site as well.

In February 1998, the FSA published the first issue of its regular bulletin targeted for the mass media.

Preparation for Stage Three of EMU

The FSA took part in the work of a financial sector working group under the national EMU project. The EMU project was aimed at coordinating the changeover to the euro in various sectors of Finnish society and preparing a national changeover plan for Finland. The changeover plan was accomplished in spring 1997 and updated at the end of the year.

The FSA examined the impact of Stage Three of EMU on the FSA regulations and guidelines in force, on supervised entities' reporting and on the FSA's monitoring and supervisory systems. The major changes needed in the FSA regulations and guidelines are connected with the change of the reporting currency, division of domestic and foreign items, division of currencies, specifications of interest rate linkages and treatment of currency derivatives.

During the transitional period when the euro will be introduced and national currencies removed, the FSA will adhere to the principle of no compulsion, no prohibition laid down in the EC regulations concerning the euro. During the transition period, supervised entities have the options of

reporting their information to the FSA in either markka units or euro units. After the transition period, all information must be reported in euros.

Information technology projects

During the course of 1997, the so-called RISKI system for data collection by the authorities was completed. This system is intended for monitoring and updating of information on credit institutions' liquidity risks, interest rate risks and off-balance sheet commitments. The system constitutes a framework for collection, storage and monitoring of supervisory data in table form. As a by-product, the RISKI project produced software for verification of the information provided by supervised entities. Major differences in the quality of information provided by the various supervised entities have hampered use of the information. Credit institutions can supply data to the system via email, FTP file or on diskette.

INTERNATIONAL COOPERATION

Work in the European Union

Finland's third year as a full member of the European Union involved no significant changes in the FSA's activity within the relevant committees and working groups. Work continued as before in the Banking Advisory Committee and the High Level Securities Supervisors Committee. FSA experts also participated in EU legislative work in the context of various EC Commission and EU Council working groups. The FSA was involved in the preparations for Stage Three of EMU in the European

Monetary Institute's Banking Supervisory Sub-Committee and related working groups.

In the Committee of Secretaries General, which is responsible for preparation of EU affairs in Finland, the FSA worked in the preparatory subcommittee dealing with financial services and capital flows. This subcommittee coordinates Finnish viewpoints for presentation at various Council and Commission working groups and closely cooperates with Finland's EU representation in Brussels.

One of two regulations of the Council of Ministers on the introduction of the euro entered into effect on 19 June 1997. The regulation incorporates the provisions on the introduction of the euro that aim at safeguarding the legal certainty of market participants and facilitating technical preparations for the changeover to the euro. The second regulation, which will become effective at the start of 1999, contains provisions directly related to the introduction of the euro and the transitional period when national currencies are still in use.

A directive on cross-border transfers was issued in January 1997. The directive defines the bank's responsibilities vis-à-vis its client in respect of orders for transferring cross-border payments and applies to credit transfers of less than ECU 50,000, with an upper limit of ECU 12,500 for indemnity liability. Member states are required to implement the directive by mid-August 1999.

At the end of 1997, the Council of Ministers approved three proposals to amend financial services directives. The proposed amendments concern the

risk classification of mortgage credits, capital requirements on stock and commodity derivatives, and permitted use of own models for calculating the solvency ratio of credit institutions.

During 1997, the Council and Parliament continued discussion of proposals for directives on setting up a securities committee and on settlement finality and collateral security. A proposal for a directive on the liquidation and winding-up of credit institutions was tabled pending policy decisions and final approval.

Supervisory cooperation in the European Economic Area

Under the Second Banking Coordination Directive, the responsibility for supervision of a credit institution operating in the EEA is assigned to the credit institution's home country authorities. An exception to this is supervision of the liquidity of credit institutions' foreign branches, which remains the host country's responsibility. With the introduction of the euro, some of the supervisory responsibility may shift to the home state.

Pursuant to the Second Banking Coordination Directive, agreement on supervisory practices between the home state and the host state is to be documented in bilateral memoranda of understanding signed between the member states. Finland has signed such memoranda of understanding with the Nordic countries, the United Kingdom, Germany, France, the Netherlands and Luxembourg.

The Investment Services Directive is based on the principles of a single authorization and home state supervi-

sion. Thus, an investment firm that has been granted an authorization in an EEA member state is entitled to offer its services in another member state, either through a branch established in that state or directly on a cross-border basis. However, the directive empowers the host state authority to ensure that a foreign investment firm complies with the host state's code of conduct and other statutes to promote the general good.

Nordic cooperation continued in traditional fora. In addition, the new supervision demands that have emerged with the creation of the MeritaNordbanken Group have led to intensified cooperation between the FSA and the Swedish Finansinspektionen in development of a Nordic model for cooperation in cross-border supervision. The main responsibility for Group-level supervision of MeritaNordbanken will be shouldered by the FSA, while Sweden's Finansinspektionen will take responsibility for the supervision of Nordbanken AB, which operates in Sweden.

The Groupe de Contact, an unofficial working group of the Banking Advisory Committee and the Banking Supervisory Subcommittee, continued

its activities throughout the year.

In December 1997, EEA supervisory authorities established a new body for cooperation, the Forum of European Securities Commissions (FESCO), to deal with joint supervisory issues and enhance cooperation among authorities. The aim is to accomplish sound and efficient securities markets in the single market area. FESCO will make special efforts to achieve consistency in financial market regulation in those areas of operation which have not yet been harmonized by EU directives. FESCO is also committed to developing and promoting supervisory cooperation among member states.

Other international cooperation

Supervisory cooperation with the authorities of non-EEA states, so-called third countries, takes various forms depending on the countries involved. As a rule, a branch of a Finnish bank located in a non-EEA state is subject to supervision by the authorities of its host country. The FSA can inspect such branches only if allowed under the legislation of the host country. In practice, the FSA supervises the activities of a branch of a Finnish bank located in a third country by requiring the head

office to report on the branch as well. The FSA pays particular attention to how a Finnish bank itself supervises its branches. This is necessary especially in situations where the provisions of the host country prohibit inspections by foreign authorities on its territory.

The FSA participated together with the Bank of Finland in training assistance provided to Eastern European economies. The countries involved in this training cooperation were Estonia, Latvia, the Czech Republic, Poland and Russia. The topics dealt with financial supervision, risk management, EU legislation and management of organizational change at central banks.

As part of international cooperation among competent authorities, the FSA participated in the activities of IOSCO, the worldwide organization of securities market supervisors. In recent resolutions, IOSCO has focused particular attention on the need for adequate information exchange among supervisory authorities and the importance of being able to establish the actual identity of owners. Bank secrecy provisions should not, as such, prevent the authorities from obtaining information needed for supervisory purposes.

Financial Supervision Authority

Since October 1993, the FSA has functioned in conjunction with the Bank of Finland. It operates autonomously but is administratively connected with the Bank of Finland.

The activities of the FSA are headed by its Director General, who is vested with the FSA's decisionmaking authority. The Director General is assisted by an advisory Management Group, consisting of the Deputy Directors, the Deputy Department Head and the Chief Legal Counsel. The Chief Legal Counsel is also responsible for coherence of the legal interpretations adopted by the FSA in its activities.

Independence in decisionmaking is facilitated by the Board, which comprises, in addition to the Director General of the FSA, representatives from the Bank of Finland, the Ministry of Finance and the insurance department of the Ministry of Social Affairs and Health. The Board's responsibilities include confirming regulations that are significant or important in principle or far-reaching from the point of view of supervision. The Board also decides upon supervision fees and far-reaching, important matters of principle which have been submitted by the Director General. The Board's duties further involve consideration of the FSA's annual budget. The annual budget of the FSA is approved by the Bank of Finland's Board.

In the course of 1997, certain changes took place in the composition of the Board. In early September the Parliamentary Supervisory Council granted Mr Seppo Kiviniemi, Cabinet Counsellor, release from Board mem-

bership upon his entering the service of Finland's permanent EU representation. Mr Pekka Laajanen, Legislative Director, was appointed to replace Mr Kiviniemi as the representative of the Ministry of Finance. In December 1997, the Parliamentary Supervisory Council granted Ms Sirkka Hämäläinen, Governor of the Bank of Finland, release from the chairmanship of the FSA's Board with effect from 1 January 1998. Mr Matti Louekoski, a Member of the Bank of Finland's Board, and who had acted as Vice Chairman of the FSA's Board, was appointed the Board's new Chairman. Mr Heikki Koskenkylä, Head of the Bank of Finland's Financial Markets Department, was designated as personal deputy to Mr Louekoski. The Parliamentary Supervisory Council appointed Mr Laajanen Vice Chairman of the Board.

Staff

At the end of 1997 the FSA employed 122 persons, of whom 68 worked in the Credit Institutions Department, 27 in the Capital Markets Department and 23 in the Support Services Department; the Director General's staff comprised 4 persons.

Operating expenses

Operating expenses amounted to some FIM 56 million, which was covered out of supervision fees paid by supervised entities and processing fees. Collected processing fees covered 2.8 % of the expenses, ie FIM 1.6 million.

Supervised institutions

The FSA supervised 517 institutions at the end of 1997.

OPERATIONAL OBJECTIVES AND STRATEGIC POLICIES

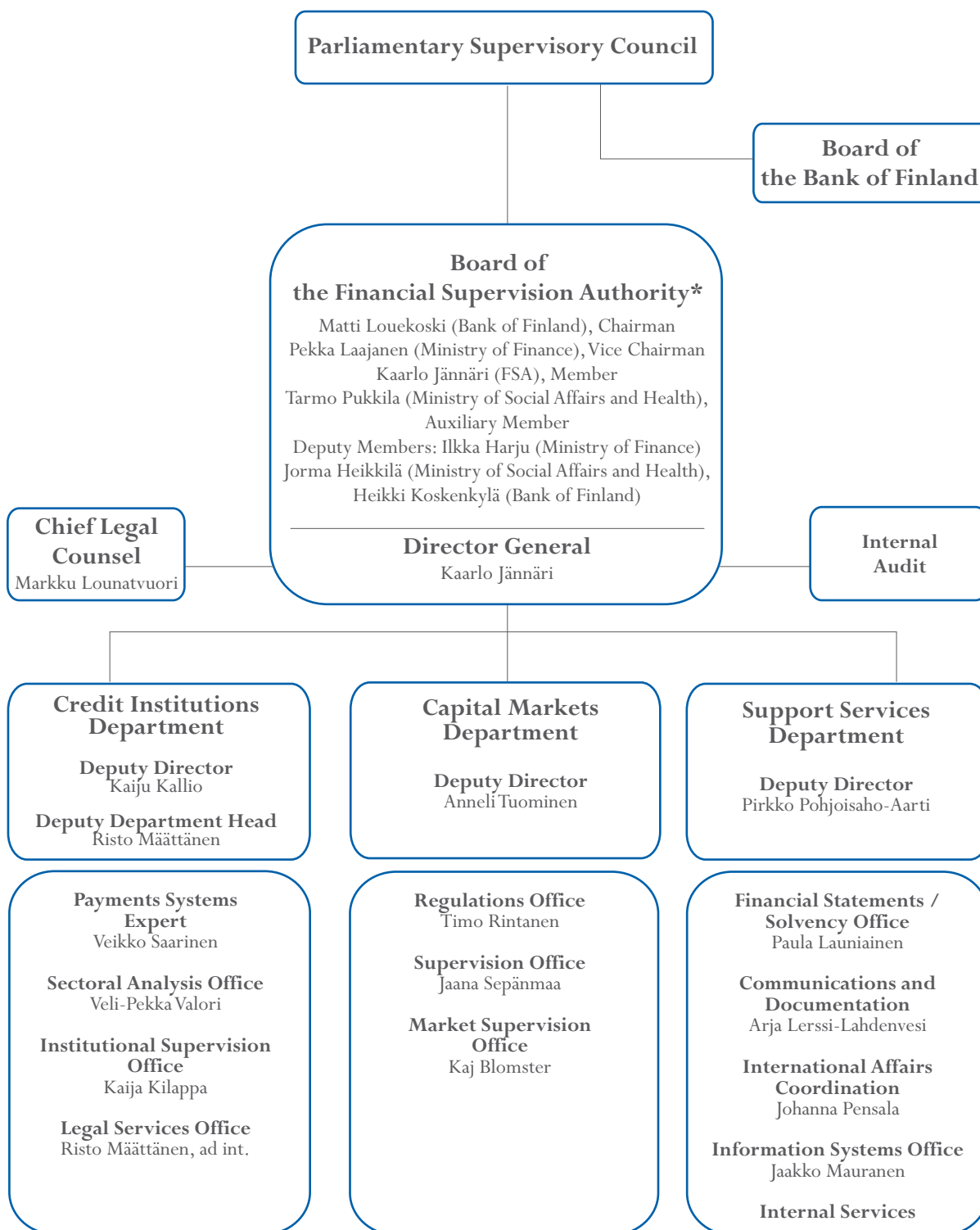
Through its actions, the FSA seeks to promote stability of financial markets and trust in the operation of supervised entities and markets. The aim is to assist supervised entities in developing their own monitoring and risk management systems and to contribute to better market self-regulation with a view to securing the efficient and effective operation of financial markets. The FSA functions both as a national supervisory authority and as part of the supervisory network in the EU single market.

FSA policies stress market orientation, transparency, efficient operations and active cooperation with other supervisory authorities.

Market orientation and transparency

The FSA seeks to promote better communication by supervised entities and publicly traded companies so that they actively provide information relating to their financial performance. Working together with other authorities, the FSA aims at developing the content of supervised entities' financial information and other relevant information in order to ensure that markets will be provided with good quality information on supervised entities. In the long run, the goal is to narrow the gap between supervisory and public information. A wider publication of positions taken by the FSA in connection with supervision reflects efforts to improve transparency in this area.

Organization, 1 January 1998



* Sirkka Hämäläinen (Bank of Finland), Chairman, 1 January – 31 December 1997, Matti Louekoski (Bank of Finland), Vice Chairman, 1 January – 31 December 1997, Seppo Kiviniemi (Ministry of Finance), Member, 1 January – 31 August 1997, Pekka Laajanen (Ministry of Finance), Member, 1 September – 31 December 1997.

Supervision fees and other income, 1997**Expenses, 1997**

	1997 1 000 FIM	1996 1 000 FIM
SUPERVISION FEES		
Commercial banks	24 158	24 197
Cooperative banks		8 310
OKOBANK Group Central Cooperative and member cooperative banks	7 301	
Local cooperative banks	837	
Savings banks	973	893
Limited company savings banks	573	474
Savings bank foundations	84	116
Other credit institutions	6 065	5 867
Security funds	290	291
Representative offices of foreign credit institutions	22	27
Branches of foreign credit institutions	155	120
Pawnshops	49	47
Marketplaces	2 275	1 849
Securities intermediaries	3 943	2 365
Management companies	1 636	1 203
Book-entry registers	1 365	931
Issuers	4 363	2 140
Foreign investment firms' branches	5	0
Currency exchange offices	21	7
Total	54 116	48 837
PROCESSING FEES		
Marketplaces	0	15
Securities intermediaries	0	15
Management companies	791	362
Issuers	794	709
Total	1 585	1 101
OTHER INCOME		
Miscellaneous income	294	165
TOTAL INCOME	55 995	50 103

	Budget 1998 1 000 FIM	Realized 1997 1 000 FIM	Realized 1996 1 000 FIM
STAFF EXPENSES			
Wages and salaries	30 756	29 372	26 751
Other staff expenses	9 830	9 433	8 090
Total	40 586	38 805	34 842
OTHER EXPENSES			
Training	1 960	1 361	974
Travel	2 099	1 382	1 027
IT expenses	5 195	4 075	2 998
Office services	3 665	3 738	3 188
Real estate rents and maintenance costs	4 217	4 107	3 660
Other expenses	3 867	2 139	2 266
Total	21 003	16 802	14 113
INVESTMENTS			
Acquisition of machinery	281	379	1 225
Total	281	379	1 225
TOTAL EXPENSES	61 870	55 987	50 180

The operating costs of the Financial Supervision Authority are covered by supervision and processing fees. Supervision fees are paid by the supervised entities, issuers of publicly traded securities and financial institutions dealing in foreign exchange. Part of the costs are covered by processing fees that are charged inter alia to issuers for approval of listing particulars or prospectuses and to management companies for verifying the rules for mutual funds.

Efficiency and effectiveness

In its supervisory procedures, the FSA is working toward more specific definition of the frequency and scope with which various institutions and services need to be supervised. Greater use is also now made of the internal control systems of supervised entities.

The FSA promotes regulation, both at the national and EU-level, that

concentrates on essentials and that meets the criterion of cost effectiveness. The FSA also seeks to assure that the regulatory burden is no heavier than in other EU countries. Thus, guidelines and regulations are only issued when appropriate and necessary in light of EU directives, legislation and the objectives of the FSA.

Cooperation with other authorities

In the preparatory work concerning regulations and guidelines as well as legislation, the FSA carefully considers commentary from internal and external experts and distributes requests for comment to those who may be affected by changes in practice, regulations or statutes. The FSA also seeks to

intensify its cooperation with the Ministry of Finance in legislative drafting.

Supervisory cooperation with the Ministry of Social Affairs and Health is being deepened further in respect of credit institutions whose groups also incorporate insurance companies. Cooperation with foreign supervisory authorities is also subject to ongoing development and intensification.

FOCUS OF ACTIVITIES

The FSA's core operations are supervision and regulation. Supervision addresses, in particular, the systems applied by supervised entities in risk management and internal control. Supervisory work also emphasizes the accountability of directorships of supervised entities and the functionality of supervised entities' internal control

and risk management systems.

Auditors in turn have a crucial role in assuring that markets are provided with an adequately detailed and fair view of supervised entities' financial standing.

Capital markets supervision places considerable importance on maintaining the confidence in markets. To assure a level playing field for all market participants, the FSA's tasks include monitoring regulatory compliance by issuers with the disclosure obligation and investigation of possible cases of abuse of insider information.

Inspections of supervised entities constitute an essential element of the FSA's supervisory work. The FSA has extensive rights to inspect supervised entities and to obtain information from them. This inspection activity is exercised on a wider scale than in many other countries. In addition –

unlike authorities in many other countries – the FSA performs these on-site inspections largely on its own.

The supervisory work is conducted in cooperation with other authorities, notably the central bank, the Ministry of Finance and insurance supervisors. The objective is to operate in such a manner that it would be possible to remedy cases of financial instability at the lowest cost to society.

The FSA monitors market conditions constantly, and when necessary, submits proposals to other authorities for action, legislative or otherwise. The FSA also participates in numerous legislative projects within its sphere of activity. It seeks to uphold good market practices, for example, by reviewing the marketing methods and standard contractual terms applied by supervised entities.

Journal 1997

Main items in the Journal	1997	1996	Major categories of journal entries	1997	1996
Internal matters	58	85	Investigation requests concerning customer protection	305	350
Administration of supervised entities	548	448	Listing particulars	75	126
Supervision	596	669	Notifications	163	108
Risk management	238	247	Matters regarding rules	149	91
Accounting, annual accounts and auditing	109	110	Abuses and their prevention	135	196
Customer protection and safeguarding competition	402	441	Own funds and capital support	78	65
Inspections	73	81	Contractual terms	76	85
Other matters concerning supervised entities	197	264	Inspections by plan	73	76
Other external matters	98	129	Disclosure obligation	73	44
Total	2 319	2 474	International cooperation	63	83

Items recorded in the Journal of the Financial Supervision Authority amounted to 2,319, broken down by department as follows: Credit Institutions Department 1,168, Capital Markets Department 976, Support Services Department 135 and the Director General's staff 40. The handling of 283 items was deferred to the following year.

Supervised institutions 1980–1997

31.12.	LP	OP	OPR	POP	SPY	SP	LL	VR	SPS	PLL	UE	ULS	AOJ	AV	SIPA	MP	RY	Tot.	SK tot.
1980	7	372	–	–	–	275	8	3	–	–	2	–	–	–	–	–	–	667	2715
1981	7	371	–	–	–	274	8	3	–	–	2	–	–	–	–	–	–	665	2755
1982	10	371	–	–	–	272	8	3	–	–	1	–	–	–	–	–	–	665	2777
1983	10	371	–	–	–	270	8	3	–	–	1	–	–	–	–	–	–	663	2830
1984	10	370	–	–	–	263	8	3	–	–	5	–	–	–	–	–	–	659	2877
1985	10	370	–	–	–	254	9	3	–	–	7	–	–	–	–	–	–	653	2915
1986	10	370	–	–	–	241	11	3	–	–	8	–	–	–	–	–	–	643	2943
1987	10	369	–	–	–	231	11	3	–	–	9	–	–	–	–	–	5	638	2902
1988	12	367	–	–	–	211	12	3	–	–	8	–	–	–	–	2	6	621	2979
1989	14	360	–	–	–	178	12	3	–	–	9	–	–	30	–	13	8	627	3019
1990	15	338	–	–	–	150	12	3	–	–	9	–	–	28	–	13	10	578	2839
1991	15	329	–	–	–	86	11	3	–	–	8	3	14	29	–	11	13	522	2660
1992	12	310	–	–	–	40	32	3	–	–	8	3	17	25	–	8	16	474	2454
1993	13	304	–	–	–	39	38	3	52	11	8	3	14	25	–	8	17	535	2640
1994	11	302	–	–	–	40	33	3	51	13	6	8	14	23	–	6	17	527	2149
1995	8	301	–	–	–	39	29	3	51	14	11	8	13	25	–	8	18	528	1963
1996	8	298	–	–	1	39	23	3	50	13	9	8	12	25	–	4	17	510	1730
1997	9	–	250	44	1	39	23	3	43	14	7	12	12	–	40	3	17	517	1682

LP Commercial banks	VR Banks' security funds	AOJ Book-entry system participants
OP Cooperative banks	SPS Savings bank foundations	AV Securities brokerage firms
OPR Member banks of the Amalgamation of cooperative banks	PLL Pawnshops	SIPA Investment firms
POP Local cooperative banks	UE Finnish representative offices of foreign credit institutions	MP Marketplaces
SPY Limited company savings banks	ULS Finnish branches of foreign credit institutions	RY Management companies
SP Savings banks		SK Branches
LL Credit institutions		

Representation abroad

	1993	1994	1995	1996	1997
Subsidiaries	13	7	10	5	4
Representative offices	33	29	26	19	16
Branches	19	17	10	11	11

Supervised Institutions, 31 Mar 1998

Credit market participants

Commercial banks (9)

GYLLENBERG PRIVATE BANK OY
INTERBANK OSAKEPANKKI
MERITA PANKKI OY
OKOPANKKI OY
OP-KOTIPANKKI OY
OSUUSPANKKIEN KESKUSPANKKI OY
POSTIPANKKI OYJ
YRITYSPANKKI SKOP OY
ÅLANDSBANKEN AB

Other credit institutions (23)

DINERS CLUB FINLAND OY
EUROCARD OY
HANDELSBANKEN RAHOITUS OY
HSB-RAHOITUS OY
KERA OYJ
K-LUOTTO OY
KUNTARAHOITUS OY
KUNTIAN ASUNTOLUOTTO OY
LUOTTOKUNTA
MB FINANCE GROUP OY
MERITA ASIAKASRAHOITUS OY
MERITA RAHOITUS OY
OKO-INVESTOINTILUOTTOPANKKI OY
OP-RAHOITUS OY
PSP-KUNTA PANKKI OY
PSP-RAHOITUS OY
SUOMEN HYPOTEEKKIYHDISTYS
SUOMEN TEOLLISUUSPANKKI OY
SUOMEN TILILUOTTO OY
SUOMEN TILIRAHOITUS OY
SUOMEN VIENTILUOTTO OYJ
TSOP-RAHOITUS OY
VOLVO RAHOITUS SUOMI OY

Member banks of the Amalgamation of cooperative banks (250)

ALAJÄRVEN OSUUSPANKKI
ALASTARON OSUUSPANKKI
ALAVIESKAN OSUUSPANKKI
ALAVUDEN SEUDUN OSUUSPANKKI
ANDELSBANKEN FÖR ÅLAND
ARTJÄRVEN OSUUSPANKKI
ASIKKALAN OSUUSPANKKI
ASKAISTEN OSUUSPANKKI
ASKOLAN OSUUSPANKKI
AURAN OSUUSPANKKI
ELIMÄEN OSUUSPANKKI
ENON OSUUSPANKKI
ETELÄ-KARJALAN OSUUSPANKKI
ETELÄ-POHJANMAAN OSUUSPANKKI
ETELÄ-SAVON OSUUSPANKKI
EURAJOEN OSUUSPANKKI
EURAN OSUUSPANKKI
FORSSAN SEUDUN OSUUSPANKKI
HAAPAJÄRVEN OSUUSPANKKI
HAAPAMÄEN SEUDUN OSUUSPANKKI
HAAPAVEDEN OSUUSPANKKI
HAILUODON OSUUSPANKKI
HALSUAN OSUUSPANKKI
HAMINAN SEUDUN OSUUSPANKKI
HARJAVALLAN OSUUSPANKKI
HARTOLAN OSUUSPANKKI
HAUHON OSUUSPANKKI
HAUKIVUOREN OSUUSPANKKI
HEINÄVEDEN OSUUSPANKKI
HIMANGAN OSUUSPANKKI
HINNERJOEN OSUUSPANKKI
HIRVENSALMEN OSUUSPANKKI
HONKILAHDEN OSUUSPANKKI
HUHTAMON OSUUSPANKKI
HUITTISTEN OSUUSPANKKI
HUMPPILAN OSUUSPANKKI
HÄMEENKOSKEN OSUUSPANKKI
HÄMEENLINNAN SEUDUN OSUUSPANKKI
IISALMEN OSUUSPANKKI
IITIN OSUUSPANKKI
IKAALISTEN OSUUSPANKKI
ILOMANTSIIN OSUUSPANKKI
ITÄ-UUDENMAAN OSUUSPANKKI
JANAKKALAN OSUUSPANKKI
JOENSUUN OSUUSPANKKI
JOKIOISTEN OSUUSPANKKI
JUUAN OSUUSPANKKI
JUVAN OSUUSPANKKI
JÄMSÄN SEUDUN OSUUSPANKKI
KAINUUN OSUUSPANKKI

KALAJOEN OSUUSPANKKI
KALKKISTEN OSUUSPANKKI
KANGASALAN OSUUSPANKKI
KANGASNIEMEN OSUUSPANKKI
KANKAANPÄÄN OSUUSPANKKI
KANNUKSEN OSUUSPANKKI
KARJALAN OSUUSPANKKI
KARKUN OSUUSPANKKI
KARUNAN OSUUSPANKKI
KARVIAN OSUUSPANKKI
KAUSTISEN OSUUSPANKKI
KEIKYÄN OSUUSPANKKI
KEMIN SEUDUN OSUUSPANKKI
KERIMÄEN OSUUSPANKKI
KESKI-SUOMEN OSUUSPANKKI
KESKI-UUDENMAAN OSUUSPANKKI
KESTILÄN OSUUSPANKKI
KESÄLAHDEN OSUUSPANKKI
KIHNION OSUUSPANKKI
KIIHTELYSVAARAN OSUUSPANKKI
KIJKALAN OSUUSPANKKI
KIJKALAN REKIJOEN OSUUSPANKKI
KIUKOISTEN OSUUSPANKKI
KISKON OSUUSPANKKI
KITEEN SEUDUN OSUUSPANKKI
KIUKAISTEN OSUUSPANKKI
KOILLIS-SAVON OSUUSPANKKI
KOTTIN-PERTUNMAAN OSUUSPANKKI
KOKEMÄEN OSUUSPANKKI
KOKKOLAN OSUUSPANKKI
KONTIOLAHDEN OSUUSPANKKI
KORPILAHDEN OSUUSPANKKI
KORSNÄS ANDELSBANK
KOTKAN SEUDUN OSUUSPANKKI
KOUVOLAN SEUDUN OSUUSPANKKI
KRUIUNUPYYN OSUUSPANKKI
KUHMALAHDEN OSUUSPANKKI
KUHMOISTEN OSUUSPANKKI
KUHMON OSUUSPANKKI
KUOPION OSUUSPANKKI
KUORTANEEN OSUUSPANKKI
KURUN OSUUSPANKKI
KUIUSAMON OSUUSPANKKI
KUIUSJOEN OSUUSPANKKI
KUIUSJOEN YLIKULMAN OSUUSPANKKI
KYMIJÖEN OSUUSPANKKI
KÄRKÖLÄN OSUUSPANKKI
KÄRSÄMÄEN OSUUSPANKKI
KÄYLÄN OSUUSPANKKI
KÖYLION OSUUSPANKKI
LAITILAN OSUUSPANKKI
LAPIN OSUUSPANKKI
LAPPO ANDELSBANK
LEMIN OSUUSPANKKI
LEPPÄVIRRAAN OSUUSPANKKI
LIEKSAN OSUUSPANKKI
LIMINGAN OSUUSPANKKI
LIPERIN OSUUSPANKKI
LOHTAJAN OSUUSPANKKI
LOIMAAN OSUUSPANKKI
LOIMAAN SEUDUN OSUUSPANKKI
LOKALAHDEN OSUUSPANKKI
LOPEN OSUUSPANKKI
LUHANGAN OSUUSPANKKI
LUOPIOISTEN OSUUSPANKKI
LUUMÄEN OSUUSPANKKI
LUVIAN OSUUSPANKKI
LÄNSI-UUDENMAAN OSUUSPANKKI
MAANINGAN OSUUSPANKKI
MARTTILAN OSUUSPANKKI
MASKUN OSUUSPANKKI
MELLILÄN SEUDUN OSUUSPANKKI
MERIMASKUN OSUUSPANKKI
METSÄMAAN OSUUSPANKKI
MIEHIKKÄLÄN OSUUSPANKKI
MIETOISTEN OSUUSPANKKI
MIETTILÄN OSUUSPANKKI
MOUHJÄRVEN OSUUSPANKKI
MYNÄMÄEN OSUUSPANKKI
MYRSKYLÄN OSUUSPANKKI
MÄNTSÄLÄN OSUUSPANKKI
MÄNTÄN SEUDUN OSUUSPANKKI
NAKKILAN OSUUSPANKKI
NAUVON OSUUSPANKKI
NIINIJOEN OSUUSPANKKI
NILSIÄN OSUUSPANKKI
NIVALAN OSUUSPANKKI
NOUSIAISTEN OSUUSPANKKI
NURMEKSEN OSUUSPANKKI
ORIMATTILAN OSUUSPANKKI

ORIPÄÄN OSUUSPANKKI
ORIVEDEN SEUDUN OSUUSPANKKI
OSUUSPANKKIKESKUS-OPK OSUUSKUNTA
OSUUSPANKKI RAASEPORI
OSUUSPANKKI REALUM
OULAISTEN OSUUSPANKKI
OULUN OSUUSPANKKI
OUTOKUMMUN OSUUSPANKKI
PAATTISTEN OSUUSPANKKI
PAAVOLAN OSUUSPANKKI
PADASJOEN OSUUSPANKKI
PAIMION OSUUSPANKKI
PALTAMON OSUUSPANKKI
PARIKKALAN OSUUSPANKKI
PARKANON OSUUSPANKKI
PERHON OSUUSPANKKI
PERNIÖN OSUUSPANKKI
PERTTELIN OSUUSPANKKI
PERÄSEINÄJOEN OSUUSPANKKI
PIEKÄMÄEN SEUDUN OSUUSPANKKI
PIELAVEDEN OSUUSPANKKI
PIETARSAAREN SEUDUN OSUUSPANKKI
PIHTIPUTAAN OSUUSPANKKI
POHJOLAN OSUUSPANKKI
POLVIJÄRVEN OSUUSPANKKI
PORIN SEUDUN OSUUSPANKKI
PORVOON OSUUSPANKKI
POSION OSUUSPANKKI
PUODASJÄRVEN OSUUSPANKKI
PUKKILAN OSUUSPANKKI
PULKKILAN OSUUSPANKKI
PUNKALAITUMEN OSUUSPANKKI
PUOLANGAN OSUUSPANKKI
PURMON OSUUSPANKKI
PYHÄJÄRVEN OSUUSPANKKI
PYHÄNNÄN OSUUSPANKKI
PÄIJÄT-HÄMEEN OSUUSPANKKI
PÄLKÄNEEN OSUUSPANKKI
PÖYTÄN OSUUSPANKKI
RAAHEN SEUDUN OSUUSPANKKI
RANTASALMEN OSUUSPANKKI
RANTSILOJAN OSUUSPANKKI
RAUMAN SEUDUN OSUUSPANKKI
RAUTALAMMIN OSUUSPANKKI
RIIHIMÄEN SEUDUN OSUUSPANKKI
RIISTAVEDEN OSUUSPANKKI
RIIHTINANSALMEN OSUUSPANKKI
RUOTSINPYHTÄÄN OSUUSPANKKI
RUOVEDEN OSUUSPANKKI
RYMÄTTYLÄN OSUUSPANKKI
RÄÄKKYLÄN OSUUSPANKKI
SAAREN OSUUSPANKKI
SALLAN OSUUSPANKKI
SALON SEUDUN OSUUSPANKKI
SAUVON OSUUSPANKKI
SAVITAIPALEEN OSUUSPANKKI
SAVONLINNAN OSUUSPANKKI
SIIKAJÖEN OSUUSPANKKI
SIIPPYIN OSUUSPANKKI
SIMPELEEN OSUUSPANKKI
SOMERNIEMEN OSUUSPANKKI
SOMERON OSUUSPANKKI
SONKAJÄRVEN OSUUSPANKKI
SOTKAMON OSUUSPANKKI
SULKAVAN OSUUSPANKKI
SUODENNIEMEN OSUUSPANKKI
SUOMUSSALMEN OSUUSPANKKI
SUONENJOEN OSUUSPANKKI
SYSMÄN OSUUSPANKKI
SÄKYLÄN OSUUSPANKKI
TAIVALKOSKEN OSUUSPANKKI
TAIVASSALON OSUUSPANKKI
TAMPEREEN SEUDUN OSUUSPANKKI
TARVASJOEN OSUUSPANKKI
TERVOLAN OSUUSPANKKI
TERVON OSUUSPANKKI
TOHOLAMMIN OSUUSPANKKI
TOIJALAN OSUUSPANKKI
TORNION OSUUSPANKKI
TURUN SEUDUN OSUUSPANKKI
TUUPOVAARAN OSUUSPANKKI
TYRNÄVÄN OSUUSPANKKI
ULLAVAN OSUUSPANKKI
URJALAN OSUUSPANKKI
UTAJÄRVEN OSUUSPANKKI
UUDENKAUPUNGIN SEUDUN OSUUSPANKKI
UUKUNIEMEN OSUUSPANKKI
VAASAN OSUUSPANKKI
VALKEAKOSKEN OSUUSPANKKI
VALTIMON OSUUSPANKKI

VAMMALAN SEUDUN OSUUSPANKKI
VAMPULAN OSUUSPANKKI
VARKAUDEN OSUUSPANKKI
VARPAISJÄRVEN OSUUSPANKKI
VEHMERSALMEN OSUUSPANKKI
VESANNON OSUUSPANKKI
VETELIN OSUUSPANKKI
VETELINYLIPÄÄN OSUUSPANKKI
VIEKIN OSUUSPANKKI
VIHANNIN OSUUSPANKKI
VIMPELIN OSUUSPANKKI
VIROLAHDEN OSUUSPANKKI
VIRTAIN OSUUSPANKKI
YLITORNION OSUUSPANKKI
YLIVIESKAN OSUUSPANKKI
YLÄNEEN OSUUSPANKKI
YPÄJÄN OSUUSPANKKI
ÄHTÄRIN OSUUSPANKKI
ÖSTRA KORSHOLMS ANDELSBANK
ÖVERMARK ANDELSBANK

Local cooperative banks (44)

ALAHÄRMÄN OSUUSPANKKI
HANNULAN OSUUSPANKKI
HELLANMAAN OSUUSPANKKI
HONKAJOEN OSUUSPANKKI
ISOJOEN OSUUSPANKKI
JOROISTEN OSUUSPANKKI
JÄMIJÄRVEN OSUUSPANKKI
KANNONKOSKEN OSUUSPANKKI
KAUHAVAN OSUUSPANKKI
KEITELEEN OSUUSPANKKI
KEURUUN OSUUSPANKKI
KIURUVEDEN OSUUSPANKKI
KONNEVEDEN OSUUSPANKKI
KORTESJÄRVEN OSUUSPANKKI
KOSKEN T.L. OSUUSPANKKI
KOVELAHDEN OSUUSPANKKI
KURIKAN OSUUSPANKKI
KYRÖN SEUDUN OSUUSPANKKI
KYRÖNMAAN OSUUSPANKKI
KYYJÄRVEN OSUUSPANKKI
LAIHIAN OSUUSPANKKI
LAMMIN OSUUSPANKKI
LANNEVEDEN OSUUSPANKKI
LAPINLAHDEN OSUUSPANKKI
LAPPAJÄRVEN OSUUSPANKKI
LAPUAN OSUUSPANKKI
LAVIAN OSUUSPANKKI
LEHTIMÄEN OSUUSPANKKI
LIEDON OSUUSPANKKI
MULTIAN OSUUSPANKKI
NIVALAN JÄRVIKYLÄN OSUUSPANKKI
PETÄJÄVEDEN OSUUSPANKKI
PIIKKIÖN OSUUSPANKKI
PYHÄSELÄN OSUUSPANKKI
REISJÄRVEN OSUUSPANKKI
SIEVIN OSUUSPANKKI
SIILINJÄRVEN OSUUSPANKKI
SUUPOHJAN OSUUSPANKKI
TIISTENJOEN OSUUSPANKKI
TUUSNIEMEN OSUUSPANKKI
VASKION OSUUSPANKKI
VIEREMÄN OSUUSPANKKI
YLHÄRMÄN OSUUSPANKKI
YLÄ-KINTAUDEN OSUUSPANKKI

Pawnshops (14)

HELSINGIN PANTTI-OSAKEYHTIÖ
HÄMEEN PANTTILAINAKONTTORI OY
KYMEN PANTTILAINAAMO OY
LAHDEN PANTTI OY
LOHJAN PANTTILAINA OY
OULUN PANTTILAINAKONTTORI OY
PANTTILAINAOSAKEYHTIÖ EUROPANTTI OY
PÄIJÄT-HÄMEEN PANTTI OY
ROVANIEMEN PANTTILAINAKONTTORI OY
SATAKUNNAN PANTTILAINAAMO OY
SUOMEN ARVOPANTTI OY
SUOMEN LUOTTO-PANTTI OY
TAMPEREEN PANTTI-OSAKEYHTIÖ
TÖÖLÖN PANTTI OY

Savings banks (39)

ERÄJÄRVEN SÄÄSTÖPANKKI
ETELÄ-KARJALAN SÄÄSTÖPANKKI
EURAJOEN SÄÄSTÖPANKKI
HAUHON SÄÄSTÖPANKKI
HOUSKÄRS SPARBANK
HUITTISTEN SÄÄSTÖPANKKI

IKAALISTEN SÄÄSTÖPANKKI
KALANNIN SÄÄSTÖPANKKI
KIIKOISTEN SÄÄSTÖPANKKI
KOIVULAHDEN SÄÄSTÖPANKKI
KORPPON SÄÄSTÖPANKKI
KORTESJÄRVEN SÄÄSTÖPANKKI
KRISTIINANKAUPUNGIN SÄÄSTÖPANKKI
KUORTANEEN SÄÄSTÖPANKKI
LAMMIN SÄÄSTÖPANKKI
LIEDON SÄÄSTÖPANKKI
LUOPIOISTEN SÄÄSTÖPANKKI
LÄNGELMÄEN SÄÄSTÖPANKKI
LÄNSI-UUDENMAAN SÄÄSTÖPANKKI
MIETOISTEN SÄÄSTÖPANKKI
MYRSKYLÄN SÄÄSTÖPANKKI
NAUVON SÄÄSTÖPANKKI
NÄRPIÖN SÄÄSTÖPANKKI
PADASJOEN SÄÄSTÖPANKKI
PARKANON SÄÄSTÖPANKKI
PYHÄRANNAN SÄÄSTÖPANKKI
RENGON SÄÄSTÖPANKKI
SOMERON SÄÄSTÖPANKKI
SUODENNIEMEN SÄÄSTÖPANKKI
SUOMENNIEMEN SÄÄSTÖPANKKI
SYSMÄN SÄÄSTÖPANKKI
SÄÄSTÖPANKKI OPTIA
TAMMISAAREN SÄÄSTÖPANKKI
TUULOKSEN SÄÄSTÖPANKKI
TÖYSÄN SÄÄSTÖPANKKI
VÖYRIN SÄÄSTÖPANKKI
YLHÄRMÄN SÄÄSTÖPANKKI
YTTERMARK SPARBANK
ÖVERMARK SPARBANK

Limited company savings banks (1)

AKTIA SPARBANK ABP

Finnish representative offices of foreign credit institutions (7)

ABN AMRO BANK
CREDIT SUISSE FIRST BOSTON,
FINLAND REPRESENTATIVE OFFICE
HAMBROS BANK LTD
INTOUIRBANK HELSINGIN EDUSTUSTO
NORDBANKEN,
HELSINGFORS REPRESENTATIONSKONTOR
NORDFINANZ BANK ZÜRICH, EDUSTUSTO
PETROVSKIY COMMERCIAL BANK

Finnish branches of foreign credit institutions (12)

D. CARNEGIE AB, FINLAND FILIAL
CITIBANK INTERNATIONAL PLC,
SIVULIIKE SUOMESSA
CREDIT AGRICOLE INDOSUEZ
HELSINGIN SIVUKONTTORI
DEN DANSKE BANK AKTIESELSKAB,
HELSINGFORS FILIAL
ELLOS FINANS AKTIEBOLAG, SIVULIIKE SUOMESSA
FORD CREDIT EUROPE PLC
HANDELSBANKEN FINANS AKTIEBOLAG (JULK),
SUOMEN SIVUKONTTORITOIMINTA
SCANIA FINANS AKTIEBOLAG, FILIAL I FINLAND
SKANDINAVISKA ENSKILDA BANKEN
HELSINGIN SIVUKONTTORI
SVENSKA HANDELSBANKEN AB (JULK),
SUOMEN SIVUKONTTORITOIMINTA
TELIA FINANS FINLAND, FILIAL TILL TELIA FINANS
AKTIEBOLAG
UNIBANK A/S, HELSINGFORS FILIAL
XEROX CREDIT AKTIEBOLAG

Banks' security funds (3)

LIIEKAPANKKIEN JA POSTIPANKKI OY:N
VAKUUSRAHASTO
OSUUSPANKKIEN VAKUUSRAHASTO
SÄÄSTÖPANKKIEN VAKUUSRAHASTO

Capital market participants

Book-entry system participants (12)

AKTIA SÄÄSTÖPANKKI OYJ
HELSINGIN ARVO-OSUUSKESKUS OY
KERA OYJ
MERITA PANKKI OY
OSUUSPANKKIEN KESKUSPANKKI OY
OY SAMLINK AB
POSTIPANKKI OYJ
SKANDINAVISKA ENSKILDA BANKEN
HELSINGIN SIVUKONTTORI
SUOMEN ARVOPAPERIKESKUS OY

SUOMEN VIENTILUOTTO OYJ
SVENSKA HANDELSBANKEN AB (JULK),
SUOMEN SIVUKONTTORITOIMINTA
ÅLANDSBANKEN AB

Marketplaces (3)

EL-EX SÄHKÖPÖRSSI OY
HEX OY, HELSINGIN ARVOPAPERI- JA
JOHDANNAISPÖRSSI, SELVITYSYHTIÖ
SUOMEN OPTIOPÖRSSI OY FINLANDS OPTIONSBÖRS AB

Management companies (18)

AKTIA RAHASTOYHTIÖ OY
ALFRED BERG RAHASTOYHTIÖ OY
ARCTOS RAHASTOYHTIÖ OY
CARNEGIE RAHASTOYHTIÖ OY
DIANA RAHASTOYHTIÖ OY
EVLI-RAHASTOYHTIÖ OY
FIM RAHASTOYHTIÖ OY
FONDITA RAHASTOYHTIÖ OY
GYLLENBERG RAHASTOYHTIÖ OY
HANDELSBANKEN RAHASTOYHTIÖ OY
INTERBANK RAHASTOYHTIÖ OY
LEJJONA RAHASTOYHTIÖ OY
MERITA RAHASTOYHTIÖ OY
OP-RAHASTOYHTIÖ OY
PSP RAHASTOYHTIÖ OY
RAHASTOYHTIÖ BALTIC BELT FUND MANAGEMENT OY
RAHASTOYHTIÖ PIRKANMAA OY
SELIGSON & CO RAHASTOYHTIÖ OYJ

Investment firms (39)

ABB INVESTMENT MANAGEMENT OY
ACM OY ACTIVE CASH MANAGEMENT
AG PANKKIIRILIIKE OY
ALFRED BERG FINLAND OY AB
ALFRED BERG OMAISUUDENHOITO OY
AROS SECURITIES OY
CARNEGIE ASSET MANAGEMENT FINLAND OY
CONVENTUM MARKETS OY
EQ PANKKIIRILIIKE OY
EVLI CORPORATE FINANCE OY
EVLI RAHAMARKKINAT OY
EVLI VARAINHOITO OY
FIDES ASSET MANAGEMENT OY
FIM OMAISUUDENHOITO OY
FIM PANKKIIRILIIKE OY
GYLLENBERG ASSET MANAGEMENT PANKKIIRILIIKE OY
MANDATUM SECURITIES OY
MERITA ASSET MANAGEMENT OY
MERITA CORPORATE FINANCE OY
MERITA DELTA OY
MERITA PANKKIIRILIIKE OY
NILES TRADING OY
OPSTOCK OY
OY AHOLA & MALINIEMI PARTNERS AB
OY UNITED BANKERS PANKKIIRILIIKE,
FONDKOMMISSION AB
PANKKIIRILIIKE ARCTOS SECURITIES OY
PANKKIIRILIIKE EVLI OYJ
PANKKIIRILIIKE EVLI-OPTIOT OY
PANKKIIRILIIKE L.HIISI OY
PANKKIIRILIIKE PROTOS OY
PANKKIIRILIIKE SOFI OY
PCA CORPORATE FINANCE OY
SEINÄJOEN PANKKIIRILIIKE OY
SUOMEN FSB OY PANKKIIRILIIKE
UNITED BANKERS OMAISUUDENHOITO OY
WAHLSTRÖM IMMONEN PARTNERS OY
VARAINHALLINTA TRESOR OY
WILLIAMS DE BRÖÉ PANKKIIRILIIKE OY

Regulations and guidelines

Regulations and guidelines issued in English in 1997 and coming into force during 1997. Regulations and guidelines are available in the FSA's website, www.rata.bof.fi.

Credit institutions

101.4

Regulation on foreign branches of credit institutions and on the provision of services abroad

101.5

Guideline on reporting investments in shares and participations in foreign credit and financial institutions

103.1

Regulation on use of a bank's own shares and shares of its parent bank, investment shares and basic fund shares as collateral for loans

103.10

Guideline on commercial banks' use of own or parent company shares as collateral for loans

105.1

General guideline on consolidated supervision

105.3A and 105.3B

Regulation on reporting large exposures and consolidated large exposures

105.5

Regulation on reporting liquidity risk

105.6

Regulation on reporting interest rate risk

105.8

Regulation on reporting of non-performing and other zero-interest assets

105.9

Regulation on foreign currency risk limits

106.1

Regulation on the annual accounts of credit institutions

106.2

Regulation on the consolidated accounts of credit institutions

106.6

Regulation on reporting own funds and consolidated own funds

106.7

Regulation on reporting solvency ratio and consolidated solvency ratio

106.8

Regulation on submission of annual accounts and relevant accounting information by credit institutions and their groups to the Financial Supervision Authority

106.8a

Regulation on submission of accounting information by branches of EEA-based credit institutions to the Financial Supervision Authority

106.12

Guideline on the reporting of the capital requirement and consolidated capital requirement against market risk

106.13

Guideline on interim reports of credit institutions whose shares are subject to public trading

106.14

Guideline on account statements of credit institutions whose shares are subject to public trading

107.3

Guideline on supervising the independence of auditors and deputy auditors of credit institutions and their subsidiaries

Securities markets

201.3

Regulation on reporting trading in securities

201.4

Regulation on reporting trading on own account

201.9

Guideline on agreements for safekeeping and administration of securities (including safe custody), book-entry accounts and portfolio management

201.10

Regulation on reporting trading in debt securities

203.10

Regulation on the interim profit and loss accounts and balance sheets of investment firms

203.13

Regulation on the annual accounts of investment firms

203.14

Regulation on the consolidated accounts of investment firms

203.16

Guideline on notification procedure of investment firms expanding their business to another EEA Member State

203.18

Guideline on interim reports of investment firms whose shares are subject to public trading

203.19

Guideline on account statements of investment firms whose shares are subject to public trading

203.20

General guideline on consolidated supervision

203.21

Regulation on reporting large exposures and consolidated large exposures

203.22

Regulation on reporting large exposures and consolidated large exposures

203.23

Regulation on reporting own funds and consolidated own funds

203.24

Regulation on reporting solvency ratio and consolidated solvency ratio

205.1

Regulation on annual accounts of management companies

205.3

Regulation on annual accounts of mutual funds

Publication series

Publications released in publication series in English in 1997. Publications are available in the FSA's website, www.rata.bof.fi.

Discussion papers

- Clarification and changes in securities trade reporting
- Proposal on the upcoming "Chinese walls" guideline

Statements

- Decisionmakers, information systems and the year 2000

Notifications

- The Financial Supervision Authority extend its use of specific supervision fees from the beginning of 1998

