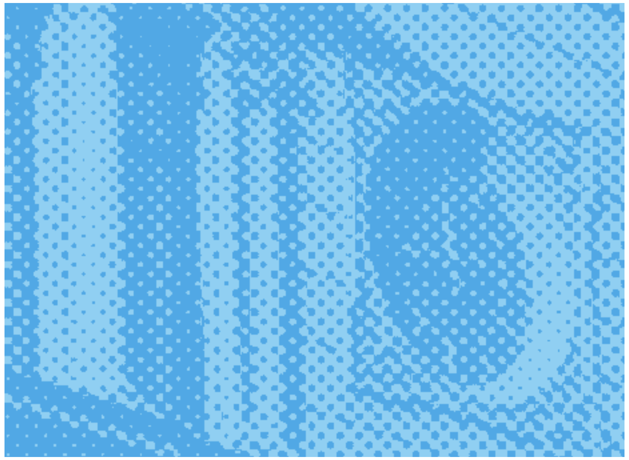
Annual Report



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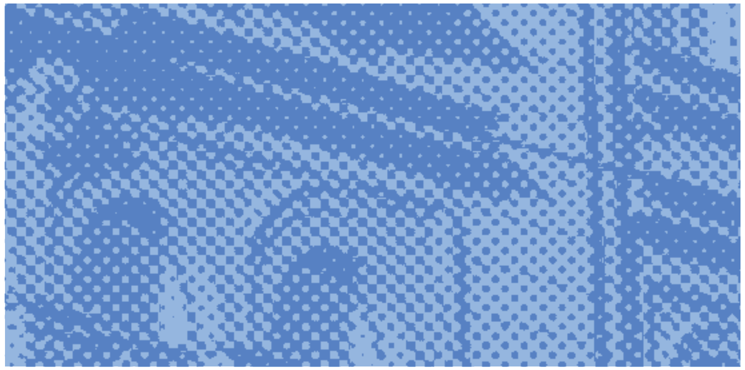

FINANSSIVALVONTA
FINANSINSPEKTIONEN
FINANCIAL SUPERVISORY AUTHORITY

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The Financial Supervisory Authority operates in support of a stable financial markets and promotes their healthy development.

Unless otherwise indicated, all texts refer to the review year 2013.

Financial Supervisory Authority in brief

The Financial Supervisory Authority (FIN-FSA) is the authority for the supervision of Finland's financial and insurance sectors and part of the European system of financial supervision.

The activities of FIN-FSA are aimed at ensuring financial stability and maintaining confidence in the financial markets. The entities supervised by it include banks, insurance and pension institutions and other actors in the insurance sector, investment firms, management companies, the central securities depositary as well as the stock exchange. In addition, FIN-FSA supervises listed companies' compliance with disclosure obligations and securities trading. Its activities are mainly funded by the supervised entities.

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

FIN-FSA seeks to ensure that

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

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

Director General's review

The financial sector is preparing for a new type of regulation and supervision

Last year, the foundations were laid for major reforms in supervision and regulation. These reforms, in which the FIN-FSA has participated through many international and domestic fora, have an impact on both the Finnish financial sector and the FIN-FSA itself.

Major leaps were taken in the supervision and regulation of capital adequacy. Final decisions were made on the so-called Basel III standards concerning banks' capital adequacy and liquidity, as well as on the establishment of the single supervisory mechanism for the euro area. As regards EU regulation on the insurance sector, a consensus was finally reached on the entry into force of the Solvency II framework for solvency and supervision. Progress was also made in domestic legislative processes concerning regulation of employment pension companies. There was further advancement of crisis resolution issues at the European level while in Finland the FIN-FSA's role as the national macroprudential authority was resolved. In addition, several regulatory initiatives were finalised in the securities markets.

Each of the initiatives referred to above is crucial for both the FIN-FSA and the financial sector. In its commentaries on regulation, FIN-FSA has emphasized that the regulatory requirements of Finland's financial sector should meet those of its international peers. Finland should not be among the last countries to adopt new regulations, but rather place itself at the forefront, particularly with respect to capital adequacy requirements. This is important so as to maintain the solid reputation of the Finnish financial sector and not give rise to any doubts about its sustainability. Nor should regulation provide incentives for regulatory arbitrage. Regulatory requirements should be at least on par with the most important neighbouring countries and, in operationalising the requirements, one should avoid such country-specific approaches that may create an uneven international playing field. The focus should be on solutions that tend to increase the credibility of the industry. This would entail, for example, greater emphasis on transparency requirements on transactions with related parties. Transparency would serve to remove any unnecessary speculation of conflicts of interests.

Finnish financial sector is in good condition, but risks in the operating environment warrant adequate preparation

In Finland, financial sector stability has remained solid. However, the protracted low level of interest rates and Finland's subdued economic growth place pressures on the profitability of banks and insurance companies. The FIN-FSA has stressed that the supervised entities must maintain sufficient capital adequacy buffers since the operating environment continues to involve considerable risks.

Preparation is necessary, because Finland's prospects remain sluggish, despite the favourable US outlook, following the dissipation of the financial crisis, and the pick-up in European growth. The economic outlook continues to involve considerable uncertainty, and the Finnish economy is not supported by its export sector to the same degree as before the crisis.

There were several restructuring initiatives undertaken in the financial and insurance sectors, establishing larger entities in order to improve efficiency or reshaping operational structures to meet new regulatory requirements. The restructuring is likely to continue this year, and the drive to reduce costs will continue. However, from the supervisory perspective cost-cutting has its limits. In its inspections, the FIN-FSA has paid attention to supervised entities' risk management functions remaining sufficiently well resourced and not subject to excessive cost-cutting

Anneli Tuominen

Regulatory requirements should be at least on par with the most important neighbouring countries.

Director General's review

From the FIN-FSA's point of view, it is particularly important that co-operation with non-euro area supervisors is effective.

initiatives. In comparison with the rest of Europe, the Finnish financial sector is already cost-effective in its present form. As the single supervisory mechanism is established, overcapacity in the banking and insurance sector is likely to decline also at the European level as banks and insurance companies seek cost-benefits through restructuring their business operations and in some cases through mergers and acquisitions.

Journey towards common banking supervision

In terms of FIN-FSA's own activities, the main change occurring is the migration to single supervisory mechanism within the euro area. Although supervisory responsibilities will not be transferred to the ECB until the beginning of November 2014, the project has already required efforts by the FIN-FSA for more than a year. We have been intensively involved in the preparatory stage in order to ensure development of a functional and high-quality supervisory framework. From the FIN-FSA's point of view, it is particularly important that cooperation with non-euro area supervisors is effective. Pan-Nordic supervision has already been active up to this point, but there continue to be differences of opinion reflecting the different interests of the home and host countries of the supervised entities. From the point of view of a host country, it is essential that the supervision of cross-country banking groups is organised and executed in a coherent manner

In the first half of this year, the FIN-FSA will participate in the comprehensive assessment of important banks lead by the ECB. A particularly labour-intensive phase is the review of the participating banks' asset quality. The project is vital for a credible launch of the single supervisory mechanism and it must be carried out in a high-quality manner. The objective is that by October this year we will have a clear picture of the state of the euro area banking sector and that any possible recapitalization arrangements or other interventions have been agreed upon by that time. Only viable banks should be accepted under common banking supervision.

The FIN-FSA's workload will increase significantly, particularly in the transitional phase towards common supervision. However, I do not believe that the increase is only limited to the transitional period. The FIN-FSA's experts will continue to supervise banks transferred under direct ECB supervision through their participation in the ECB-lead joint supervisory teams.

No decision has yet been made on the parameters for single supervisory mechanism's supervisory fee structure. However, the supervised entities will bear the costs of supervision. In order to maintain the operability of the national supervisory authorities, it is crucial that their funding is also ensured. Supervision is conducted jointly, and its success requires a significant contribution from the national supervisory authorities.

European system of financial supervisors under scrutiny

The European supervisory authorities for banking, insurance and securities markets (EBA, EIOPA and ESMA) were founded three years ago. Their objective is to promote cross-border supervisory cooperation, to ensure uniformity of supervisory procedures, to reduce supervisory arbitrage (i.e. unhealthy competition between supervisory authorities) and to foster a level playing field. The review of the European system of financial supervisors that began last summer, has shown that their work has not yet fulfilled expectations in all respects. They have largely met the expectations as regards regulatory work, but the promotion of supervisory convergence has received too little attention across the EU. In some respects, national aspects have also dominated the decision making process. The outside stakeholders also expect more transparency in the preparatory stages of new regulation. There has been uncertainty among both supervised entities and supervisors as to the legal nature of the guidelines and recommendations issued.

It is a key question of principle, as to whether it is sensible that there are separate supervisory authorities in different cities for the banking, insurance and securities markets sectors. The structure is clear, but it is not efficient, which reflects their several overlapping functions.

The relative significance of the European Banking Authority (EBA) has diminished following the establishment of the single supervisory mechanism. However, it must be borne in mind that it continues to have an important role as the harmoniser of supervisory procedures at the level of the whole EU, which includes countries outside the single supervisory mechanism. Likewise, an important task is vested in the European Systemic Risk Board, which assesses systemic risks from the viewpoint of the entire EU financial sector. For the time being, the need for a common European supervision of the insurance sector has not been identified.

The European insurance markets continue to be quite fragmented, and the insurance products and their regulation in different markets vary. Nor are insurance companies considered as constituting a significant systemic risk to the stability of the European financial markets.

While prudential supervision of euro area banks will be transferred to the ECB, the consumer protection issues and conduct of business supervision will remain with the national supervisors, which in my opinion is entirely justified. There are considerable national differences in the financial literacy of consumers in the financial markets and the products available to them, which support the case for keeping supervision at the national level. It is hard to imagine that national differences – starting with the issue of language – will be eliminated even in the longer term.

New innovations in the financial markets

Innovations are constantly being made in the financial markets. These are assessed by both national supervisors and the financial innovation committees of the EU supervisors who examine whether they constitute a risk to consumer protection or stability. Some of the novelties do not fit in the scope of traditional supervision but fall into a supervisory blind spot. At this stage, supervisory authorities have issued warnings for instance on virtual currencies and crowd funding, which involve risks from the point of view of consumer protection. At the same time, the supervisory authorities are assessing whether these new phenomena should be regulated more closely at the EU level. It must be borne in mind that not all regulatory gaps can be filled by supervision.

Is it time for the FIN-FSA to look in the mirror?

Last year was the fifth operational year of the FIN-FSA in its present form. The birthday at the beginning of this year was celebrated by working. We have achieved an influential position among European supervisors. Nevertheless, we too are now faced with a need to reform ourselves. The reform is required by supervisory changes at the European level, the challenging operating environment and cost pressures. We must assess whether our present organisational model is efficient and whether it sufficiently supports expertise in the different sectors. At the same time, we must also consider whether our objective of cross-sectoral regulations and guidelines is too ambitious.

We have already certainly made a great effort to improve efficiency. For example, cooperation with the Bank of Finland has been enhanced in the areas of data collection, exchange of information and analytical processes. Preparatory work for macroprudential supervision has proceeded in collaboration with the Bank of Finland, and the operational capabilities required for implementing the new competences can be achieved within the given deadlines.

We have achieved an influential position among European supervisors. Nevertheless, we too are now faced with a need to reform ourselves.

In addition, the FIN-FSA's IT and documentation functions as well as some administrative duties have been attached to the Bank of Finland. Leadership has been supported by a coaching programme, and occupational wellbeing has been improved by several measures, including the support of the occupational health care provider.

What should a supervisory authority be like?

The FIN-FSA has emphasised that, as the competent supervisory authority, it must have a sufficient legal mandate to conduct its tasks in a credible manner. Recently, there has been sometimes heated debate about the powers vested in the FIN-FSA. In using its powers, the supervisory authority must act in a proactive, consistent and responsible manner. Naturally, the supervisory authority must also be accountable for its actions and operate with sufficient transparency to maintain its credibility. Its personnel must possess a high level of expertise and integrity. These requirements apply both to the single supervisory mechanism at the euro area level as well as the national supervisory authority at the domestic level. Through responsible actions, the supervisory authority can also gain the trust of its stakeholders.

Even the best supervision cannot, however, make up for deficiencies in the administration, expertise and the ethical foundations of the supervised entities. High integrity, robust expertise and the interests of the customers should therefore play key roles in their activities.

Once again, let me extend my gratitude to the personnel of the FIN-FSA for their high-quality work for the benefit of stability and confidence in the financial markets.

In Helsinki on 7 March 2014
Anneli Tuominen

FIN-FSA Strategy 2014–16

The following pages describe our operations broken down in accordance with the strategy adopted for 2013–15.

For more detailed information, please see: Fin-fsa.fi > Publications and press releases > Annual reports > Annual Report 2012, page 7.

Mission

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

Vision

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

Strategic objectives

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

Strategic choices

Risk-based supervision and regulation as well as operational efficiency

- Making use of timely analysis, we enable proactive and well focused supervisory measures
- We emphasise the role of inspections and inspection visits in our supervisory work
- We promote consistent application of sound financial market practices. We take firm action whenever abuse and omission are detected.
- We foster staff competence, reinforce our work processes and support activities in consistent with our values

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

- In our supervisory work, we focus on safeguarding the prerequisites for sound business activity
- We require that supervised entities' boards of directors arrange for high-quality risk management and internal control
- We require that capital adequacy and liquidity buffers cover significant risks, including the uncertainties attached to their risk models
- We emphasise the effectiveness of recovery and resolution plans
- We conduct efficient macroprudential supervision in close cooperation with the Bank of Finland

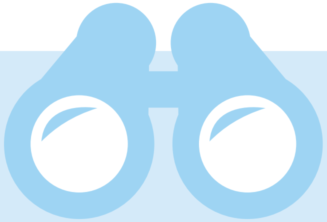
High-quality customer and investor protection

- We require that service providers' internal procedures take account of the requirements of customer and investor protection
- We require high-quality information to investors and reporting procedures that support this
- We widen the scope of our stock exchange trading supervision via European cooperation
- We continue to improve our provision of customer information

Productive cooperation between supervisors and other authorities

- We exert influence via EU-level regulatory and supervisory work on issues key to the Finnish financial markets
- We promote adoption of the best supervisory practices within the EU
- We foster the conduct of credible and effective supervision within the Single Supervisory Mechanism and uniform supervision in the Nordic countries
- We draw on cooperation between competent authorities in developing our supervisory frameworks

The operating environment and financial position of supervised entities



A total of 1,022 supervised entities were liable to pay supervision fees.

Weak real economy, financial markets recovered

In Finland and more widely across Europe, the year under review was characterised by bipolarity. Growth in the real economy was weak or negative, but in the securities markets and particularly in the equity markets, the sentiment was optimistic. Indicators of risk in the market reflected a constantly improving trend. The level of interest rates in the euro area remained low, since inflation waned and the economy contracted.

The activity of the Finnish economy decreased for the second consecutive year due to the pan-European recession. Unemployment increased slightly. Towards the end of the year, reports on the economy indicated that economic growth had begun and accelerated broadly in Europe. This also supports the Finnish economy. Nevertheless, economic growth will remain subdued for several years.

The solid performance of the financial markets was explained by many factors. In particular, quantitative easing by the Federal Reserve boosted equity prices. The sovereign debt crisis in the euro area did not escalate again, and signals of a recovery in economic growth were received. In the spring, the crisis resolution in Cyprus and other states as well as banks, was completed without major market impacts.

There were no problems in the funding of Finnish banks, and banks' capital adequacy remained strong. Despite the sluggish operating environment, banks' impairment losses decreased from the previous year. The low level of interest rates and economic developments created significant cost pressures for banks. The rate of growth of household and corporate loans declined, reflecting the sluggish demand for loans. In contrast to many other European countries, however, the stock of loans of the customer base grew in Finland. Loan interest rates were low.

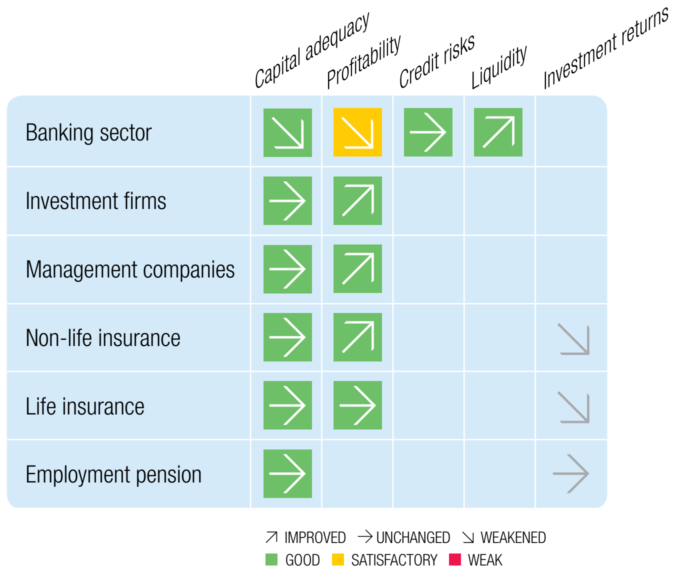
The low interest rate level also created a challenging operating environment for insurance companies. The returns from fixed-income investments were weak, as expected. At the same time, however, good equity returns kept investment returns above the average return requirements of the technical provision, and therefore solvency capital, which acts as a risk buffer, increased during the year. The low interest rate level resulted in a need for non-life insurance companies to reduce the discount rates for long-term liabilities, which increases their technical provision and weakens the balance on technical account.

In the life insurance sector, preparations have been made for a protracted period of low interest rates, among other things, by supplementing the technical provision, and the focus of sales was moved towards unit-linked policies a long time ago.

Growth particularly in investment funds and insurance savings

Fund assets managed by management companies were on a clear upward trend throughout the year, and exceeded the EUR 70 billion threshold. At the same time, net subscriptions in investment funds were clearly positive. Life insurance savings grew steadily during the year. At the end of the year, they stood at over EUR 38 billion, 11 per cent more than at the end of the previous year. The increased insurance savings partly explained the increase in fund assets. Households' deposits followed a downward trend during the year, and the stock contracted slightly from the previous year. The volume of corporate deposits ended up higher than the previous year due to a strong increase in December. At the end of the year, deposits amounted to EUR 142 billion.

Overview of the state of the supervised sectors



The Chart above presents how the supervied entities' sectors capital adequacy and profitability as well as other key factors have developed in comparison with 2012 (arrow), and their levels at the end of the review year (colour). The Chart is only an illustration of the state of the whole sector. It does not allow interpretations of the financial position of individual supervised entities.

The analysis report "Financial position and risks of supervised entities 1/2014" to be published in April 2014 contains an extensive analysis of the state of the sector and their key figures, as at 31 December 2013.

Risk-based and efficient supervision

Up-to-date analysis ensures accurately focused and timely measures

FIN-FSA's analysis groups analyse those sets of supervised entities that are the most important from the point of view of financial stability. The analysis groups produced quarterly internal supervision reports for each supervised sector. The analysis group for the banking sector works in close cooperation with the Bank of Finland.

During the year under review, analysis methods for up-to-date analysis were developed. Towards the end of the year, a revised method based on key figures and indicators was adopted. This method is used to assess the risk positions and capital adequacy position of banks, insurance companies, investment firms and management companies. This way, an up-to-date view is formed concerning the state of each sector and individual supervised entity. The analysis is supplemented by expert assessments. The intensity of supervision including inspections and supervision visits is determined for individual risk areas and each supervised entity, using the overall assessment. The analysis is also used in compiling the Supervisory review (see page 10).

Twice a year, the analytical findings are compiled into a publication called Financial position and risks of supervised entities, which presents an overall assessment of the state of the Finnish financial markets and publishes the sector-specific analyses. The web service Fin-fsa.fi contains sector-specific financial statement and capital adequacy information and different volume figures. Several summaries are published annually on the sector-specific analysis and statistics on insurance activities.[1]

[1] *Survey of compliance with the principle of equity in life insurance, Report on the profitability of motor liability insurance, Profitability of statutory workers' compensation insurance Unemployment funds.*

Quarterly reporting as cornerstone of supervision

In recent years, EU regulation has imposed increasing reporting requirements on supervised entities. EU-level regulation will continue to increase them further.

During the year under review, preparations were made for the implementation of the following reporting, including:

- banks' liquidity
- banks' balance sheet and profit/loss
- banks' capital adequacy
- insurance companies' Solvency II
- Alternative Investment Fund Managers (AIFM)

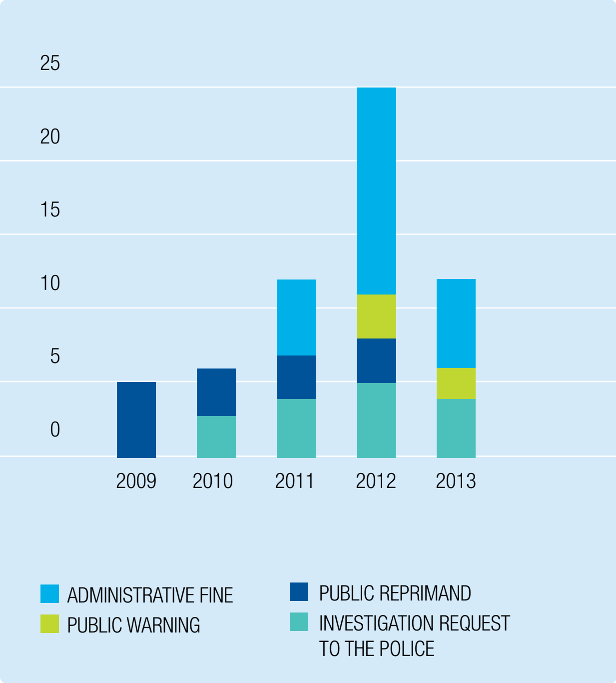
New reporting, already in place, is related to transactions on derivatives (EMIR) and short selling. All these initiatives have required significant efforts by both supervised entities and FIN-FSA on issues concerning the content of reporting and information systems.

FIN-FSA engages in close cooperation with the Bank of Finland in order that reporting would be as simple as possible for the supervised entities. At the same time, synergies between FIN-FSA and the Bank of Finland are enhanced.

Use of sanctions decreased the number of delayed reports

In 2012, FIN-FSA was given the authority to issue an administrative fine for errors or delays in financial reporting, which showed up as a considerable increase in administrative fines that year. Reporting delays decreased and only five administrative fines were issued during the year under review. One of the administrative fines concerned a breach of the restrictions in the provisions of the Mutual Funds Act. Two public warnings were issued in the year under review, both of them to banks.

Sanctions 2009–2013



Number of cases of suspected securities market abuse reflects market activity

The number of cases of suspected securities market abuse was 100, comprising 47 cases related to the abuse of inside information, 28 to market manipulation, 17 to the disclosure obligation under the Securities Market Act and 8 to other types of abuse. The number of notifications of suspicious transactions on securities from the stock exchange was 36 and 34 from securities intermediaries. The number of notifications increased from the previous year, which contributed to the increase in the number of insider cases inspected.

Increased cases of earnings guidance revision, mergers and acquisitions and other corporate events, such as delistings, generally increase the number of insider cases inspected. The proportion of Wash Sales out of all the suspected abuse cases continued to be high.

For more detailed information, see: Fin-fsa.fi > Statistics > Sanctions, request for investigation and cases of suspected abuse

Increased tasks and a higher level of requirements place more demands on processes

The process of continuous analysis and the authorisation process for investment firms and management companies were evaluated in cooperation with an external consultant. The result of this work included further specifications being made to the instructions on the application for authorisation. The objective is to reduce the number of requests for further clarification. In the analysis process, the goal is an increasingly precise targeting of analysis, depth and internal efficiency.

Process development is also steered by the establishment of common European supervision through the requirements imposed by the Banking Union and the EU supervisory authorities on banking, insurance and securities markets. FIN-FSA has been in the forefront of these efforts. For further information, please see page 18.

Rapporteur **Kaarlo Jännäri** has assessed the administrative cooperation between FIN-FSA and the Bank of Finland. The objective was to find out ways of improving the operational efficiency and of reducing costs. Based on this evaluation, cooperation was deepened, and tasks related to information systems development, information and document services as well as administration and HR were transferred to the Bank of Finland, at the end of the year.

New reporting initiatives require significant committment from supervised entities and FIN-FSA, alike.

FIN-FSA supports the preparation by supervised entities regarding the new reporting requirements and other regulatory reforms through releases, meetings and training events addressed to all supervised entities.

During the review year, FIN-FSA received 14,500 financial reports from supervised entities. In addition, 2,500 notifications on short positions in equities were received. The most recent data is reported twice a day.

For more detailed information, please see:
Fin-fsa.fi > Supervision > Market supervision > Notification of short positions

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

Annual Supervisory Reviews prepared on largest supervised entities

During the year under review, a Supervisory Review was undertaken on 17 supervised entities. On small supervised entities, sector-specific summary reviews were made for FIN-FSA's internal use.

A Supervisory Review is a comprehensive assessment of the risks related to the business of a supervised entity, the sufficiency of capital reserved to cover them as well as the level of governance and risk management. The review is made annually for supervised entities of significant size and at an interval of 2–3 years for smaller supervised entities. The review is presented to the management of each company and discussed by its board of directors.

The implementation of requests and recommendations given is monitored and the situation is assessed, at the latest in the following Supervisory Review.

Inspections and supervision visits targeted, based on risks

During the year under review, 60 inspections and 445 supervision visits were made.

Inspections of market and liquidity risks continued, targeted at the largest credit institutions. Several inspections of corporate governance and internal control were carried out at banks. In addition, inspections were undertaken on corporate credit risks and accounting. Many banks were requested to develop the organisation of their internal control and risk management. As regards credit institutions, the focus areas of supervision visits were corporate governance, contingency plans and crisis management.

Inspections examining banks' payment systems and card processes continued. The feedback on the inspection of payment systems pointed to deficient backup systems for severe payment system disruptions. No significant deficiencies were observed in the inspections of card processes. However, FIN-FSA recommended that banks offer more versatile possibilities for setting various safety limits for payment cards, in order to prevent abuse. Netbank security and the monitoring of transactions to prevent money laundering were new themes for inspection.

The processes for handling customer complaints at deposit banks and insurance companies were inspected, as in the previous year. The handling processes were found, by and large, to be appropriate.

Insurance companies' Solvency II capabilities were assessed by continuing the technical reserve inspections at companies where the investigation had not already been made. The inspections revealed development needs with respect to both calculations and resourcing and documentation of projects. Another focus area in the supervision of insurance companies was related to corporate governance.

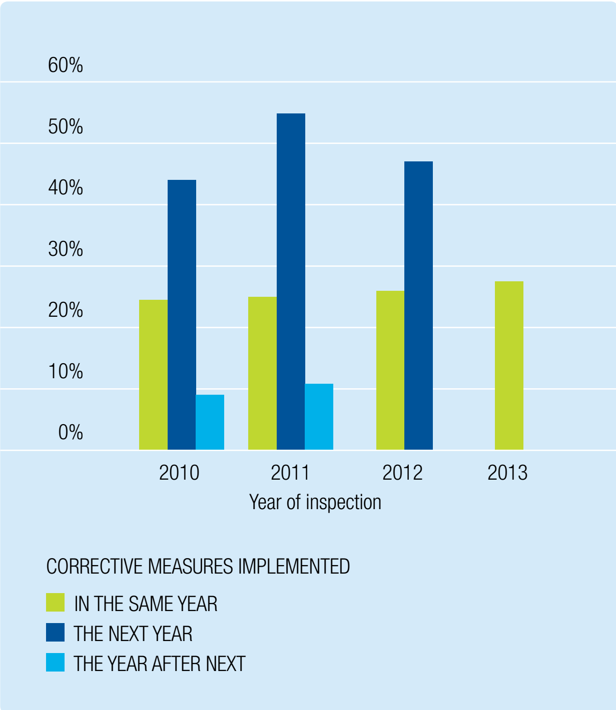
Inspections of employee pension insurance companies concentrated on investment activities and their risk management as well as corporate governance, with an emphasis on governance culture, remuneration and transactions with related parties. The companies were requested, for instance, to change the limit systems and operating authorities of their investment activities so that the board of directors is better capable of controlling and monitoring the investment activities which are its responsibilities. Employee pension insurance companies were recommended to specify their principles for the selection of board members and to improve their guidelines on transactions with related parties. As regards pension funds, focus was on the assessment of investment expertise and plans as well as the monitoring and controlling responsibility of the board of directors.

In inspections of the membership of unemployment funds and the organisation of their membership affairs, the funds were requested to pay attention to the monitoring of outsourced activities, swift processing of applications and equal treatment of its members.

Inspections of investment firms focused on the execution of the customers' orders and the administration of project-specific insider registers. No significant deficiencies were observed.

Oversight visits at investment firms and fund management companies looked into governance, risk management, the organisation of activities, trading procedures and internal processes. In particular, small supervised entities have challenges in complying with the constantly growing and increasingly complex regulation.

Implementation of corrective measures



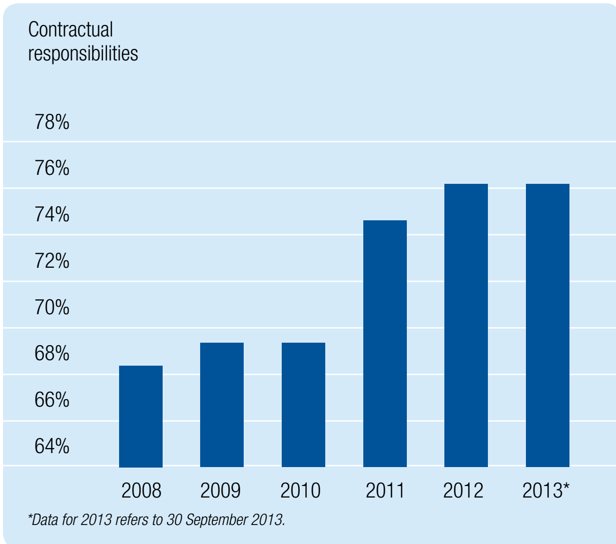
The implementation of corrective measures is monitored, and the status of incomplete requests is reported in the Supervisory Review. According to the follow-up, supervised entities implement a quarter of the corrective measures during the year of inspection and about half in the following year.

An increasingly important role for internal models

Several applications by different banks were processed, where supervised entities applied for permission to use internal models in capital adequacy calculation. In the assessment of the permissions granted for internal models by supervised entities, particular attention was paid to their having sufficiently conservative parameters and safety margins in place. In addition to new applications, significant changes in approved methods requiring the permission of the supervisory authority were also evaluated. Overlaps of several applications have lead to delays in the evaluations.

At present, three quarters of banks' credit risks are evaluated by using internal methods.

Proportion of internal models in banks' determination of credit risk



In evaluating the proportion of internal models in banks' determination of credit risk, particular notice was paid to the degree of conservativeness.

The regulatory year in brief

Banking sector

FIN-FSA considered it important that the Credit Institutions Act being prepared would also provide for the organisation of macroprudential supervision and the tools for macroprudential supervision to be made available to FIN-FSA. FIN-FSA emphasised that the same tools should be adopted comprehensively in connection with the implementation of the Capital Requirements Directive (CRD IV) as in the other Nordic countries. In addition, it emphasised that domestic legislation should also provide the authority to use other measures, the loan-to-value ratio in particular, in order to prevent and limit macroprudential risks. The reform of the Credit Institutions Act highlights the importance of cooperation between authorities. During the year in review, FIN-FSA prepared for the needs of producing macroprudential analysis in cooperation with the Bank of Finland.

EU legislation on capital adequacy and liquidity requirements was finalised in the spring and published in July. FIN-FSA considered particularly important the preparation of Acts regulating own funds and new liquidity requirements, as well as improvement of the effectiveness of cross-border financial conglomerates. Preparations were made, for example, regarding a technical standard aimed at a uniform application of the provisions on financial conglomerates in the calculation of capital requirements for financial and insurance conglomerates.

Another crucial measure was a standard on the treatment of instruments with differentiated distributions in credit institutions' own funds. FIN-FSA considered the implementation of new liquidity provisions important and therefore also participated in drafting the new standards on liquidity reporting.

The capital adequacy and reporting regulations and guidelines were reformed to correspond to new EU regulation entering into force at the beginning of 2014.

A Council Regulation providing for the ECB's tasks in the prudential supervision of banks was published on 29 October. In addition, preparations proceeded for the Recovery and Resolution Directive and the regulation on a common euro area crisis resolution and crisis fund. FIN-FSA considered that the establishment of a common crisis resolution mechanism and the harmonisation of crisis resolution regulations at the EU level are significant parts of the banking union, which are needed to supplement the common banking supervision of the euro area. FIN-FSA contributed to the preparation of these legal instruments in cooperation with the Ministry of Finance.

Insurance sector

A consensus was finally reached at EU level on the treatment of long-term insurance contracts in the calculation of the technical reserve and capital requirements. The new capital requirements and supervision framework for life and non-life insurance companies, Solvency II, will be implemented at the beginning of 2016. FIN-FSA made a significant contribution to the implementation of the long term guarantee assessment. The articles of the Directive concerning the governance system were incorporated in the Insurance Companies Act as of the beginning of 2014.

EIOPA issued so-called interim guidelines on the governance system, risk management and reporting as well as the Pre-Application of internal models. FIN-FSA attached these guidelines to its set of regulations and guidelines.

FIN-FSA's objective, in the working groups reforming the capital requirements framework for employee pension companies, has been to ensure that the new framework would better take into account the risks involved in different investment instruments and that there is a capital requirement for each significant risk factor. Attention must be paid to both quantitative and qualitative risk management methods.

Securities sector

During the year in review, consensus was reached in the EU on new proposed provisions on, for example, disclosure obligations of listed companies, shareholders' obligation to disclose major shareholdings, market abuse, annual accounts and auditing. The regulation will enter into force gradually during 2015–16.

Negotiations regarding provisions that apply, amongst other things, to trading on financial instruments and the conduct of business rules for the providers of investment services, proceeded intensively and resolutions were made in January 2014. Negotiations concerning a regulation on packaged investment products and central securities depositories continued.

In addition, the European Commission gave proposals for regulation on money market funds, long-term investment funds and benchmarks, among other things. ESMA is preparing a more detailed implementation regulation for a majority of these initiatives.

The government bill on the national transposition of the Alternative Investment Fund Managers Directive was issued in September. The premise for the proposed legislation covers all collective investment that is not conducted in investment funds under the Mutual Funds Act. Its scope includes non-UCITS investment funds, real estate investments and venture capital investments. The Act is expected to enter into force in March 2014.

FIN-FSA's regulations and guidelines applying to the operation of the securities markets were reformed entirely and they entered into force on 1 July 2013. This reform is based on the wider reform of the securities markets legislation that entered into force on 1 January 2013.

High-quality customer and investor protection

Number of branches decreased, but as a rule basic banking services readily available

According to the survey on basic banking services conducted in March, the number of branch offices for personal customers has decreased further, and the prices of certain banking services have increased. FIN-FSA considers that basic banking services, as a rule, continue to be readily available. In the pricing of services, FIN-FSA called particular attention to the prices charged for the cash payment of invoices. The survey is conducted annually and it reviews the availability and pricing of basic banking services offered to personal customers.

Read more: Financialcustomer.fi > Financial services > Banking services > Basic banking services

Demands to change loan margins may be unreasonable from the customer's point of view

FIN-FSA discussed interpretations relating to increases of margins on housing loans and sent a letter to banks in March clarifying the position of housing loan customers in the context of changes in the credit relationship and collateral.

FIN-FSA considers that basic banking services, as a rule, continue to be readily available.

Product development of investment products as a European supervisory theme

In November, the European authorities on securities, insurance and banking (ESMA, EIOPA and EBA) published a common set of principles on the product design processes in the financial sector. The aim is to promote customer protection by improving the service providers' internal product development and management processes. The common objective of the supervisory authorities is that the needs of the target markets are always taken into account at the planning phase. It is the duty of the board of directors of the service provider to ensure that it has adopted procedures that enable the continuous monitoring and control of product development and the management of existing products.

Key Investor Information Documents of Finnish investment funds mainly in line with requirements

According to a survey carried out in the year under review, the Key Investment Information Documents of Finnish investment funds primarily corresponded to the requirements imposed on them. However, many management companies still have room for improvement, for example in terms of the description of the investment policies of the funds.

FIN-FSA in the the public eye

100+
out-of-house presentations

300+
requests for background information or interviews

1,000+
mediahits

Room for improvement in risk descriptions and illustrations of return

Based on a survey on the marketing of structured investment products, some entities were observed as having room for improvement in such areas as risk descriptions and illustrations of risk. Some of the entities also had deficiencies in the availability of prospectuses and loan-specific terms.

Assessment of the need for authorisation must often be reviewed

As operating models develop, the need for an authorisation has been considered with respect to group finance, foreign exchange trading services and commodity derivatives activities, amongst other areas.

Most listed companies continued to present future prospects in interim reports

The requirement applicable to listed companies on the presentation of future prospects in interim reports and the financial statement bulletin was removed at the beginning of the year under review when the new Securities Market Act entered into force. According to a survey made, however, almost all companies continued to present their future prospects as previously. During the review period, a few companies announced they would present their prospects only in the financial statement bulletin. However, the legislative change does not affect the obligation of listed companies to issue a profit warning when necessary.

The deterioration of the financial position of listed companies was shown, for example, in increased profit warnings, financial restructuring and share issues. Companies must disclose both favourable and negative financial developments in a timely and consistent manner. In the approval process of prospectuses, particular attention was paid to how companies present their continuity risks, uncertainties and financial position.

Four issues of the Markets newsletter were published. The website Listedcompanies.fi provides assistance in issues concerning the disclosure obligation.

Focus in IFRS supervision on the presentation of financial risks, valuation issues and information on related parties

The uncertain market situation and companies' weakened financial position required a shifting of supervision towards information on financial risks and the valuation of assets, among other things. IFRS questions related to financial instruments in the banking sector, such as the valuation of the loan stock, were also under scrutiny. In addition, FIN-FSA participated in a survey coordinated by ESMA in which the European IFRS supervisors evaluated the IFRS financial statements of 39 financial institutions. The survey showed that the information required by the IFRS had generally been presented, but the quality and transparency of the information varied, which weakened their comparability. In particular, the information in financial statements on credit risk and forbearances should be improved.

The supervision of related party information looked into companies' processes for collecting information on related parties and ensuring the disclosure of material related-party transactions in financial statements. Room for improvement was found in the definition of related parties, collection of data on related-party transactions and their financial statement information.

FIN-FSA produces independent information on savings and investment products for the website Financialcustomer.fi

Housing loan interest rates, repayment alternatives and risks

Investment products, their features, costs and return

Investor survey on the use of investor information supported the chosen focus areas of supervision

FIN-FSA conducted an investor survey on the use of investor information published by listed companies. Almost 250 people responded to the survey, and 90 per cent classified themselves as non-professional investors. The respondents considered the quality of reporting generally rather good, but it was perceived as varying across companies. The results of the survey supported the focusing of supervision on the clarity and consistency of reporting and on ensuring that the financial position and earnings performance is analysed in financial reports.

Themes of customer education promoted via several channels

FIN-FSA produces unbiased information on savings and investment products on the Financialcustomer.fi web service. The number of visitors to the web service is still at a modest 7,000 visitors a month, but the number has been growing briskly in recent years. The search engine optimisation of the content was improved and new features (eg the possibility to 'share' in social media) were adopted. Customer education was targeted, particularly at housing loan applicants by using a search engine that directs users to the section on housing loans, in the service.

FIN-FSA experts held short presentations to the public at investment and tax fairs and other public lectures. FIN-FSA embarked on customer education aimed at adolescents, which was in the context of expert cooperation and can be found on the Muntalous.fi (my finances) website. A section on payments and agreements was made in cooperation with the Bank of Finland on the Euro.fi website for the younger consumer.

More visibility for customer education themes was sought through meetings with journalists concerning investor or customer protection. The themes covered included the disclosure of short positions, complex investment products offered to retail investors, a warning on contracts for differences, new payment methods, the legal strength of an agreement, the basics of unemployment insurance, group finance, IFRS supervision of listed companies and changes in reporting by listed companies.

FIN-FSA's telephone help line handles customer enquiries from the banking, insurance and investment sectors, advising on, for example, the procedures required to be observed by different service providers operating on the financial markets. In 2013, the help line dealt with some 440 enquiries. Written customer contacts received during the year amounted to some 340.

Of all enquiries made, about two thirds were concerned with banking, roughly a quarter with insurance and approximately a tenth with investment. Enquiries regarding banking related mostly to changes in contractual agreement terms. With respect to insurance, the most common questions concerned claims procedures and schedules for handling their claim.

What to remember when entering into a contract

How to recognise attempted fraud

Customers' own responsibilities when acquiring investment products

Productive cooperation between supervisors

Key objectives of FIN-FSA's international supervisory cooperation

- To recognise and tackle any risks threatening the Finnish financial markets, at an early stage
- To promote the preparation of common regulations and supervisory procedures among the EU's supervisory authorities for the banking, insurance and securities markets (EBA, EIOPA and ESMA)
- To contribute to the appropriate content and scope of regulations from the perspective of the Finnish financial markets
- To promote regulation and supervision initiatives on new financial products and consumer protection and to contribute to the application of uniform EU-level policies in the supervision of the different sectors
- To contribute to the implementation of high-quality supervisory standards throughout the EU in particular by strengthening the operation of the colleges of supervisors

Thanks to the activities of EBA, EIOPA and ESMA, the evaluation of risks in the EU's financial markets became more efficient and the coordination of activities between national supervisory authorities was improved. During the year under review, FIN-FSA participated actively in the building of the Single Supervisory Mechanism (SSM) for the euro area. This is described in more detail on page 18.

Influence exercised by the EU authorities in key areas

Numerous regulatory technical standards, implementing standards and reporting standards and guidelines were prepared at EBA, EIOPA and ESMA. FIN-FSA participated in the preparations concerning issues relevant to the Finnish financial sector. In addition to regulations, the EU authorities regularly publish reports on the risks facing the EU's financial sector. The authorities' joint committee makes a consolidated report of the risks of the different sectors and evaluates their impacts on market stability. In particular FIN-FSA participated in the preparation of this risk assessment covering all sectors. In this context, valuable comparative information was gained for the purposes of the analysis and supervision of the Finnish financial sector.

FIN-FSA participates in the ESRB in cooperation with the Bank of Finland. In addition to the regular analysis of macroprudential risks, one of the key initiatives of the ESRB was the preparation of the recommendations on the use of macroprudential indicators and tools. The recommendations steer the implementation of national macroprudential policies and they are intended to be issued in 2014.

For more detailed information, please see: Fin-fsa.fi > European system of financial supervision

Regulation on capital adequacy and liquidity for the banking sector reformed

EBA's work was dominated by the preparation of technical standards and guidelines related to the EU's capital adequacy and liquidity regulations (CRD IV/CRR). Important issues from Finland's perspective included the standards on the structure of own funds and the technical standard regarding the calculation of capital requirements for financial and insurance conglomerates. Another significant issue for Finland was the preparation of the regulatory technical standards designed to improve the operation of the colleges of supervisors and the guideline concerning the assessment of the adequacy of own capital. The results achieved largely corresponded to FIN-FSA's objectives. FIN-FSA also considered the implementation of the new liquidity requirements important and participated in drafting EBA's liquidity reporting standards. FIN-FSA supported the collection of supervisory data on the basis of uniform EU-level financial reporting (FINREP) and emphasised that data collection by different authorities must be based on similar information systems solutions.

For more detailed information, please see: Finanssivalvonta.fi > Sääntely > Sääntelyhankkeet > CRD IV -paketti (in Finnish)

Capital requirements reform for the insurance sector, Solvency II, proceeded

Because of the importance FIN-FSA lays on the reform of the regulation and supervision of the solvency of life and non-life insurance companies' proceeding effectively, the authority participated in the key preparation groups within EIOPA. FIN-FSA's objective was ensuring that the regulation would also match the special characteristics of the Finnish insurance sector. The main focus areas were uniform and clear definitions used in the calculation of the technical provisions and capital requirements, requirements for internal models and appropriate reporting to the authorities. The work accelerated further, when it was agreed in November, at the EU level, when the Directive would enter into force at the beginning of 2016. FIN-FSA participated in EIOPA in the preparation of the interim guidelines that entered into force at the beginning of 2014. The guidelines address the governance system of supervised entities, forward-looking assessment of risk and the pre-application of internal models used in solvency calculation.

Efforts to promote supervisory cooperation in the securities sector

FIN-FSA participated in ESMA regarding the preparation of key regulation, applicable to securities and clearing operations as well as the development of supervisory practices. These include different reporting initiatives and operational supervisory cooperation related to securities prospectuses, investment funds and IFRS financial statements. ESMA published a set of common priorities for the supervision of IFRS financial statements, which were followed by all European IFRS supervisors. FIN-FSA also actively participated in ESMA work regarding the promotion of comparability of banks' IFRS financial statements. ESMA published a report on the subject in November.

Common view on the supervision of product innovations

Within the joint committee of EBA, EIOPA and ESMA, FIN-FSA made a strong contribution to harmonising the regulation on consumer protection and information to customers. Director General **Anneli Tuominen** acted as the chairman of the Joint Committee subcommittee on Consumer Protection and Financial Innovation. In November, these authorities published a joint position on product oversight and governance processes. At EIOPA, FIN-FSA participated in the preparation of guidelines and recommendations on the handling of customer complaints and surveys promoting the supervision of customer protection, which were published by EIOPA.

Nordic and other supervisory cooperation

The Nordic colleges of supervisors reviewed the capital adequacy, liquidity, profitability and risks of financial groups on a regular basis and made assessments on the adequacy of capital. Joint Nordic inspections continued, for instance, on the liquidity risks of banking groups. Preparation for crisis management of cross-border banking groups continued. FIN-FSA's objective was to reach arrangements taking into account the needs of all cross-border groups and especially of the countries in which they operated.

FIN-FSA sought to promote a uniform definition for capital adequacy buffers for banks in the Nordic countries. Progress and the impacts of the Solvency II reform were discussed at meetings of supervisors. The Nordic working group on technical reserves analysed and sought common practices for the treatment of composite companies and policies with a guaranteed return. The Nordic working group on internal models discussed the modelling of insurance risks and the evaluation of the joint impact of risks, in particular.

In the Nordic supervisory cooperation on NASDAQ OMX, the organisation of stock exchange activities was evaluated, and common positions were taken on key supervisory issues. FIN-FSA participated in supervisory cooperation with other Nordic supervisors on two central securities depositaries, the EMCF and NASDAQ OMX Clearing AB. In addition, the work on maintenance and development of transaction reporting continued with the Nordic supervisors.

"Banking and Supervision under Transformation"

In February, FIN-FSA arranged a seminar on the banking union, regulation of the banking sector and its impact called "Banking and Supervision under Transformation" for the management of supervised entities and other stakeholders.

The speakers were **Erkki Liikanen**, Governor of the Bank of Finland, **Vítor Constâncio**, Deputy Governor of the European Central Bank, **Andrea Enria**, Chairman of the European Banking Authority (EBA), **John Berrigan**, Director of the EU Commission, **Christian Clausen**, President and CEO of Nordea, **Sixten Korkman**, Professor at Aalto University, as well as **Pentti Hakkarainen**, Deputy Governor of the Bank of Finland and Chairman of the Board of FIN-FSA.

For more details on the programme and presentations, see: Fin-Fsa.fi > Publications and press releases > FIN-FSA Conference on EU Regulation and Supervision

Common banking supervision for the euro area

The ECB's tasks in the prudential supervision of euro area banks were provided for in a Council Regulation, which entered into force at the beginning of November. The ECB will begin practical supervision, after a year's transitional period, in November 2014.

By means of this Regulation, a Single Supervisory Mechanism (SSM) was established for banking supervision, which consists of the ECB and the euro area banking supervisors. Non-euro area EU member states also have the opportunity to join.

A good 5,800 banks will fall within the scope of the common supervision. The ECB directly supervises about 130 large banks, which include the OP-Pohjola Group, Nordea Bank Finland Plc and Danske Bank Plc in Finland.

FIN-FSA continues to participate in the supervision of these banks together with the ECB. The supervision of other banks is mainly the responsibility of the national supervisors, but the ECB will also monitor and instruct the supervision of these banks. Cooperation between the ECB and the national supervisory authorities is provided for in more detail in the SSM Framework Regulation of the ECB, which was submitted for consultation in February 2014.

An extensive set of guidelines, the SSM Supervisory Manual, has been compiled on the methods, practices and processes of supervision and on making supervisory decisions. The main preparation and decision-making body is the Supervisory Board. The governors of the euro area national supervisory authorities are among the members of the Board who hold voting rights.

Strong contribution in the preparation of the single supervisory mechanism

FIN-FSA considered it important that uniform, efficient, high-quality operating models are created for supervision. The decision making and preparation processes and the systems for data collection and reporting must be appropriate. Cooperation needs to function well also with non-euro area supervisors and with groups that have companies in both euro area countries and non-euro area countries. The supervision reform should generate synergy benefits such as in the use of resources which, in turn, promotes the cost-effectiveness of the system in the longer term.

FIN-FSA participated in preparatory work at the EU level, together with the Bank of Finland. Within the scope of the ECB-driven preparation, FIN-FSA particularly contributed to the development of a common model of supervision. Deputy Director General **Jukka Vesala** acted as the chairman of the working group that developed the model. The outcome of the work was compiled in the SSM Supervisory Manual, which is used as the basis of the common supervision. FIN-FSA also participated in testing the SSM banking reporting in the autumn. Important initiatives also included the establishment of Joint Supervisory Teams (JST) and preparation of the ECB's framework regulation providing for the supervision.

Comprehensive assessment of large banks commenced

A comprehensive assessment of banks falling under ECB's direct supervision will be made to explore the banks' condition, by November 2014. The assessment is divided into three parts

- asset quality review
- assessment of key risks
- stress tests.

In Finland, the assessment covers the OP-Pohjola Group, Nordea Bank Finland Plc and Danske Bank Plc. Preparation for the review of the assets in the balance sheets began in the summer and the practical work will be carried out in spring 2014. A significant number of FIN-FSA experts will participate in the in-depth assessment, in addition to which the project includes ECB staff and external experts. The assessment will produce in-depth information on the EU's banking sector and any supporting measures potentially needed for safeguarding stability.

Supervision and inspection practices to be harmonised

FIN-FSA already follows European supervisory practices prepared in a collaborative effort by national supervisors at the European Banking Authority (EBA). Nevertheless, the supervisory manual will bring about changes in the assessment of banks' risks, supervisory activities, sanctioning, handling of applications for an authorisation, reporting and the decision-making processes of a supervisory authority, amongst other activities.

The implementation of the changes will be facilitated by FIN-FSA's close cooperation in the joint preparations conducted under the ECB's direction. Banks will be informed of any changes affecting their operation during the transitional period.

The Board of FIN-FSA

Martti Hetemäki, *Vice Chairman*
DSocSc
Permanent State Secretary, Ministry of Finance

(Deputy to Martti Hetemäki: **Tuija Taos**
LLM in EC Business Law
Director, Legislative Counsellor, Ministry of Finance)

Pentti Hakkarainen, *Chairman*
LLM (trained on the bench), MBA
Deputy Governor, Bank of Finland

(Deputy to Pentti Hakkarainen: **Kimmo Virolainen**
DBA
Head of Department, Bank of Finland)

Jaakko Tuomikoski
MA, SHV*

Pirkko Juntti
LLM (trained on the bench)

Outi Antila
LLM (trained on the bench)
Director-General, Ministry of Social Affairs and Health

(Deputy to Outi Antila: **Mikko Kuusela**
PhD, SHV*
Senior Actuary, Ministry of Social Affairs and Health)

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

The Board convened 19 times during the year. Monthly fees to the members and deputies in the year under review totalled EUR 54,600.00. No separate attendance allowance is paid.

The Board's report to the Parliamentary Supervisory Council is available (in Finnish only) at Finanssivalvonta.fi > Julkaisut ja tiedotteet > Johtokunnan kertomus pankkivaltuustolle.

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

Actuary accredited by the Ministry of Social Affairs and Health.

Management group

Erkki Kontkanen (not in photo)
LLD
Chief Advisor, Chief of the General Secretariat, *until 31 August*

Sonja Lohse
LLM (trained on the bench)
Chief Advisor, Chief of the General Secretariat, *from 7 January 2014*

Jukka Vesala
DSc (Econ.)
Deputy Director General, Head of Prudential Supervision, *until 2 February 2014*

Anneli Tuominen
LLM (trained on the bench), MSc (econ.)
Director General, Chairman

Marja Nykänen
LLM (trained on the bench)
Head of Institutional Supervision

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

Jarmo Parkkonen
LLM, MSc (econ.)
Head of Market Supervision

Hely Salomaa
DSocSc, SHV*
Chief Advisor

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

Erja Rautanen
LLM
Head of Conduct of Business Supervision

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

The management group convened 50 times during the year. The Director General's salary and fees totalled EUR 208,260.00. Salaries and fees paid to the other management group members totalled EUR 888,730.00.

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

The personnel audit for the year under review will be published in May 2014 (in Finnish only) at Finanssivalvonta.fi > Tietoa Finanssivalvonnasta > Avoimet työpaikat

Appendices

Total number of supervised and other fee-paying entities

Fee-paying entities	31.12.2012	31.12.2013
Credit institutions	318	309
Investment firms	59	55
Fund management companies	34	34
Securities issuers	138	143
Stock exchange, clearing corporation	1	1
Finnish Central Securities Depository	1	1
Other fee-paying entities in the financial sector	49	68
Financial sector, total	**600**	**611**
Life insurance companies	13	13
Non-life insurance companies	23	38
Pension insurance companies	7	7
Unemployment funds	32	32
Pension funds	63	62
Sickness funds and other insurance funds	141	139
Insurance associations	57	6
Insurance brokers	72	69
Public sector pension funds	3	3
Other fee-paying entities in the insurance sectort	39	42
Insurance sector, total	**450**	**411**
All supervised and other fee-paying entities, total	**1,050**	**1,022**

The Financial Supervisory Authority also supervises insurance agent and matters relating to the obligation to declare insider holdings.

Expenses and funding

Expenses and funding, EUR thousands	2012	2013*
Staff expenses	17,376	17,972
Staff-related expenses	842	922
Other expenses	3,900	3,630
Services	847	918
Real estate expenses	1,872	1,336
Other expenses	1,181	1,376
Depreciation	343	310
Bank of Finland services	2,326	3,449
Total expenses	**24,787**	**26,283**

Funding of operations		
Supervision fees	23,963	22,574
Processing fees	1,334	1,140
Other income	0	
Bank of Finland's contribution: 5% of expenses	1,239	1,314
Surplus carried over from the previous year	2,623	4,372
Surplus carried over to the next year	-4,372	-3,117
Total funding	**24,787**	**26,283**

**The figures for 2013 are unaudited and unconfirmed.*

Set supervision fees, EUR thousands

Fee-paying entities	2012	2013
Credit institutions	13,647	12,289
Investment firms	898	851
Fund management companies	1,062	1,182
Securities issuers	1,763	1,690
Stock exchange, clearing corporation	340	306
Finnish Central Securities Depository	195	186
Other fee-paying entities in the financial sector	176	255
Financial sector, total	**18,081**	**16,759**
Life insurance companies	872	929
Non-life insurance companies	1,183	1,218
Pension insurance companies	1,716	1,705
Unemployment funds	1,016	984
Pension funds	237	231
Sickness funds and other insurance funds	93	89
Insurance associations	76	5
Insurance brokers	79	74
Public sector pension funds	411	436
Other fee-paying entities in the insurance sector	145	146
Insurance sector, total	**5,828**	**5,817**
Adjustment items carried over from previous years	54	-24
Fee-paying entities, total	**23,963**	**22,552**

Processing fees, EUR thousands

Fee-paying entities	2012	2013
Credit institutions	149	48
Investment firms	42	62
Fund management companies	296	278
Securities issuers	181	260
Other fee-paying entities in the financial sector	94	69
Financial sector, total	**762**	**717**
Insurance companies[1]	46	158
Unemployment funds	19	23
Pension funds	28	27
Sickness funds and other insurance funds	33	34
Insurance associations	246	2
Insurance brokers[2]	178	163
Other fee-paying entities in the insurance sector	22	16
Insurance sector, total	**572**	**423**
Fee-paying entities, total	**1,334**	**1,140**

[1] *Life, non-life and pension insurance companies*
[2] *Insurance brokers and agents*

Parliamentary hearings and submissions on draft legislation

The Financial Supervisory Authority's experts were invited to hearings by various committees of the Finnish Parliament on 27 occasions. FIN-FSA was requested to make 18 submissions on draft Finnish legislation and 70 other submissions in its field of competence.

Journal

Items initiated in the Journal in 2013 (main functions and their major categories)	Number
Governance	66
Regulation	77
Supervision	2,454
Notifications; branches and cross-border activities	687
Articles of association, by-laws and regulations; confirmation and changes	205
Prospectuses	249
Letters by private citizens	234
Fit & Proper reports	175
Inspections	69
Authorisations; granting and expansion	29
Other	177
Domestic cooperation	75
International cooperation	16
	2,774

In the year under review, 2,774 entries were made in the Financial Supervisory Authority's Journal.

In addition, 461 new applications for registration and 2,884 applications for change were processed in the insurance agent register outside the scope of the Journal.

Working group
Terhi Lambert-Karjalainen, chairman
Sampo Alhonsuo
Miia Armila-Paalasmaa
Seppo Juutilainen
Paula Kirppu
Teija Korpiaho
Olli Mattinen
Esa Pitkänen
Jaana Rantama
Juha Savela
Kaisa-Maria Suomalainen

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Financial Supervisory Authority
Snellmaninkatu 6, P.O. Box 103, FI-00101 Helsinki
Switchboard +358 10 831 51
Fin-fsa.fi