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Summary of Government Interventions
Finland

Overview:

Finland has weathered the current financial crisis well to date, with Finnish banks remaining in good standing and able to manage the crisis so far without recourse to government support. As an IMF report recently concluded, "exposure to US sub-prime assets, US GSEs, and Lehman is minimal... banks have not experienced deposit withdrawals and most have actually gained deposits".

Despite this, Finland's economy has suffered from the global financial crisis. Estimations are that GDP will decline by 0.5 per cent in 2009, to recover by 0.7 per cent in 2010. Recession was declared on 27 February 2009 by the Finnish National Statistics Office.

For a detailed report on the effects of the financial crisis on the Finnish economy, see the Bank of Finland Financial Stability Report 2008:

http://www.bof.fi/en/julkaisut/bulletin/financial_stability/index.htm

State Guarantee Scheme

The Finnish State Treasury, acting under the guidance of the Ministry of Finance, guarantees up to a maximum of EUR 50bn for all solvent Finnish deposit and mortgage banks, including Finnish subsidiaries of foreign banks. Individual guarantees are capped up to the nominal value of short term debt issued by 17 October 2008.

The state guarantee covers the issuance of new short and medium term non-subordinated debt with a maturity between 90 days and 3 years. Mortgage-backed bonds up to a maturity of 5 years may also be backed by the guarantee.

Guarantees may be granted until 30 April 2009, and are limited to the amounts becoming due up to this date. The government is expected to re-evaluate the need to continue granting guarantees after 30 April, but at the most guarantees can be granted until the end of 2009.

A market-based fee will be charged to the recipient of the guarantee in line with European Central Bank recommendations.

Conditions to the guarantee include limitations on beneficiaries' balance sheet growth with regard to national and EU averages, limitations on expansion and marketing, and strict conditions for staff remuneration or bonus payments. Further information on these conditions is available at:

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1705&format=HTML&aged=0&language=EN&guiLanguage=en

Bank Deposit Guarantee

As of 8 October 2008, the coverage of the deposit guarantee was increased from EUR 25,000 to EUR 50,000. The European Commission has also brought forward a proposal to promote convergence of deposit guarantee schemes in the future.

Notable developments with commercial banks

Rescue of Finnish Kaupthing branch by Finnish banks.

On 9 October 2009 Kaupthing Bank hf's operations in Finland were halted by the Finnish Financial Supervisory Authority after nationalisation of the bank in Iceland. Deposits of customers in Finland totalled some EUR 115m including interest. The three Finnish banks Nordea Bank Finland plc, OP-Pohjola Group Central Cooperative and Sampo Bank plc arranged a loan of EUR 100m to allow repayment of the deposits, upon condition that the Finnish government guarantee them against legal action from Kaupthing creditors. The branch ended operations on 30 January 2009 after repaying the loan to the Finnish banks, with assets of the branch pledged in security for the financing having been partly liquidated and partly transferred to the administration committee in Iceland.

Purchase of Kaupthing Sweden by Finnish Alandsbanken

A binding agreement was signed on 16 February 2009 for the purchase of Kaupthing Bank Sverige AB, Kaupthing Fonder AB and Alpha Asset Management Company by Alandsbanken, a Finnish bank based on the Aland Islands. The purchase price amounted to SEK 414m paid up front, which equated to roughly half of Kaupthing Sverige's assets. The purchase excluded the majority of Kaupthing Sverige's business loans and other selected assets including bonds linked to Lehman Brothers, which will be transferred to Kaupthing Bank hf in Iceland.

Other developments

Short Selling

In late 2008 the Finnish Financial Supervision Authority (FFSA) considered the issue of short-selling of securities, in the light of decisions made by regulators in other countries. For the time being it did not consider these kinds of measures necessary in Finland, but stated on 6 October 2008 that it has intensified supervision of potential short-selling and co-operates with other supervisory authorities in doing so.

Proposed government subordinate loans

The Finnish Parliament is currently considering a proposal for state capital investment in deposit taking banks. The state would offer banks interest-bearing subordinated loans, which can be considered as core tier-1 capital. The subordinated loans would bear interest at a rate equal to the interest rate of the 5-year Finnish Government bond plus 6 percentage points.

Any bank borrower would commit to pay the interest on the subordinated loan before distributing dividends, and would also require Government consent before undertaking any major business arrangements. Banks would also be committed to maintaining loans to households and SMEs, and providing regular reports about their lending activities to the Ministry of Finance.

Increased banking sector reporting requirements

The Finnish Financial Supervisory Authority announced on 10 February 2009 an increase in reporting frequency requirements for specified reports, in response to the rapid changes in operating environment during the financial crisis. The full details are linked below.

http://www.finanssivalvonta.fi/eng/tiedotteet/Supervision_release_3_2009.htm

State Pension Fund to acquire commercial paper

The Ministry of Finance has granted the State Pension Fund the right to a limited use of assets to acquire commercial paper issued by financially solid Finnish companies, to promote the recovery of the commercial paper market. The portfolio may increase investments in commercial paper by up to EUR 500m depending on the market situation, with the current plan's maximum investment totalling 10 per cent of the Finnish commercial paper market. For more details see the link to a press release on 5 February 2009 below:

http://www.statepensionfund.fi/public/default.aspx?contentid=28322&nodeid=17004

Credit rating for Finland confirmed by S&P

On 13 January 2009 S&P rated the Republic of Finland with AAA long-term and A-1 short term sovereign credit ratings.

Contact us

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