



The Financial Stability Authority's sustainability report for 2021

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1 Management's endorsement of the report

The Financial Stability Authority's Management Group is committed to the sustainability work undertaken by the Authority. It has been involved in the selection of sustainability goals and judging the progress that has been made in achieving those goals in 2021.

The Authority's Director General approved its first sustainability report on 26 April 2022.

2 Sustainability in the work of the Authority

The Financial Stability Authority is an independent body set up in 2015 to act as Finland's national resolution and deposit guarantee authority.

[Read more about the work of the Authority.](#)

In many ways, sustainability is linked to the Authority's core functions. We are a responsible operator that promotes the stability of the financial market and confidence in that market and the banking sector, and that endeavours to make public administration more effective through a continuous assessment and improvement of the viability of the deposit guarantee system and resolution framework. The Authority also ensures that the administrative fees are used appropriately by the Authority in accordance with the law and suggests areas in which public administration may be made more efficient through its association with the administrative branch of the Ministry of Finance.

2.1 Sustainability management

Preparations for the sustainability report for 2021 began by identifying what would be the Financial Stability Authority's sustainability goals. Two experts and the Authority's Management Group were involved in this process.

Since the start of 2022, the authority's chief economist has had the responsibility for monitoring issues connected with sustainability, in particular the green transition, and for exploring what aspects of the subject are the most relevant for the resolution and deposit guarantee authority. The chief economist will later also be responsible for monitoring the achievement of the sustainability goals and drafting the sustainability report.

The chief economist will be reporting to the Management Group on the work connected with the sustainability goals as it progresses. The chief economist will also report to the Management Group on matters such as the risks identified at meetings of experts and the proposals for action to be made. The Management Group will decide on the policies to be adopted in response to the chief economist's proposals and what the work of the Authority should focus on next.

As and when required, the chief economist will organise discussion meetings with the entire staff to hear ideas on how to develop sustainability work and evaluate the achievements made.

The Authority's values have been identified and specified in collaboration with the entire staff. Sustainability is one of them. Everyone at the Authority can promote sustainability in their own activities, in partnership with other authorities and the institutions that are under the Authority's jurisdiction. Staff commitment to the organisation's values is measured each year in the job satisfaction barometer.

The Authority staff adhere to the organisation's ethical guidelines in everything they do. The purpose of the guidelines is to ensure the independence and impartiality of the staff and the high ethical standards that must apply. The Director General and the deputy to the Director General are also bound by the Code of Ethics that applies to the Members of the SRB's Plenary Session.

2.2 The approach employed in drafting the report

In spring 2021, the Financial Stability Authority selected the UN's Sustainable Development Goals that are relevant to the work of the resolution and deposit guarantee authority. The proposal for the Authority's sustainability goals was put before the Management Group and adopted on 10 May 2021. The goals identified were made known to the State Treasury on 13 May 2021.

In early 2022 the chief economist and the experts involved in the work defined the indicators that they would employ in monitoring and identified the progress that had been made in 2021 to achieve the sustainability goals chosen. In addition, the descriptions of the Authority's roles and performance on the form for the identification of pertinent sustainable development goals completed in Spring 2021 were reviewed and incorporated in the separate goal descriptions given hereinafter. A draft of the sustainability report was then produced and presented to the Management Group in April 2022.

In the years to come too, implementation of the goals will be examined as from the start of the year and the Authority's sustainability report will be drafted and released no later than in April. At the same time consideration will be given to whether the selected goals or targets and the indicators used need to be reviewed.

3 The sustainability goals

The Financial Stability Authority has identified four UN Agenda 2030 Sustainable Development Goals of relevance to its work:

- To eradicate poverty in all its forms everywhere (goal 1)
- Decent work and economic growth (goal 8)
- Reduced inequality (goal 10)
- Responsible consumption (goal 12)

3.1 Handprint – The goal to eradicate poverty in all its forms everywhere (goal 1)

3.1.1 Identification of the goal and targets

The Financial Stability Authority is in the best position to promote target 1.1.5: *By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.*

The purpose of the deposit guarantee is to protect deposits from economic shocks to the banks. One aim of resolution is to safeguard depositors' assets and customers' funds held by institutions. In its capacity as the organisation responsible for deposit guarantees and resolution, the Authority ensures that everyone has access on an equal footing to their funds during times of economic shock.

The Authority maintains and promotes a credible deposit guarantee system and resolution mechanism to ensure that depositors can always feel secure. The Authority in particular guarantees that depositors will receive up to EUR 100 000 of the money they have in an institution that files for bankruptcy. This reduces exposure and vulnerability to economic shocks and disasters on the part of the less well-off.

3.1.2 Indicators of progress

Of the indicators cited in the indicator framework for the 2030 Agenda for Sustainable Development target programme, the most relevant indicator for the Authority's chosen target is indicator 2: *Direct economic loss attributed to disasters in relation to global gross domestic product (GDP)*, with the notion of 'disaster', however, being restricted to a shock linked to, or affecting, the financial system. The institutions within the direct jurisdiction of the Authority are Finnish, and the activities of the Authority therefore directly impact mainly GDP in Finland.

During the monitoring period there have been no deposit guarantee claims or cases of resolution with respect to any credit institution in Finland, and so it is not possible to determine the value of the selected indicator.

It is worth noting that the purpose of deposit guarantee and resolution mechanisms is to prevent crises from happening in the first place, and so the continued faith of depositors in the system together with the fact that the chances of a bank run have remained unlikely would seem to attest to their effectiveness.

3.1.3 Example case: SCV testing

The deposit guarantee is a means whereby the Financial Stability Authority can reduce the exposure and vulnerability of the poor and those in vulnerable situations to economic shocks and disasters. If the payment of compensation in connection with deposit guarantees is to succeed, it is vital that the banks are able to report to the Authority on the amount of eligible claims and covered deposits for every depositor. The Authority is provided with this information by means of an SCV (Single Customer View) file. Through a programme of annual tests, the Authority seeks to ensure that all banks in Finland are able to produce and send an SCV file giving all the account details for all depositors.

In 2021 the banks developed their SCV reporting capability to correct the defects identified in the Authority's previous dry run. The SCV testing framework was also improved in 2021. The Authority made improvements to the feedback it gave the banks on the tests. A set of performance indicators was established in the tests. Effective feedback allows a bank easily to identify whether it still needs to make improvements to

its SCV reports, so that, if there is a claim, the Authority has ready access to the information it needs in order to pay compensation under the deposit guarantee system.

3.2 Handprint – The goal of decent work and economic growth (goal 8)

3.2.1 Identification of the goal and targets

The Financial Stability Authority is in the best position to promote target 8.10: *Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.*

The aim of the work of the Authority is to promote the credibility of the deposit guarantee system and resolution mechanism, thus boosting the stability of the financial system. The measures taken by the Authority improves the preparedness of institutions for economic difficulties and their ability to get through them. It regularly draws up a resolution plan for the institutions within its jurisdiction and sets their minimum requirement for own funds and eligible liabilities (MREL). The Authority also continuously improves its own level of preparedness by developing its procedures and tools to be used in the event of an institution facing serious problems.

3.2.2 Indicators of progress

In cases of resolution, basic banking and other critical functions should continue. When claims are being made under the deposit guarantee scheme, depositors should generally have access to their funds within seven weekdays. The Authority can thus ensure that customers have undisrupted access to banking services, and for that reason it is more appropriate to monitor the length and extent of any disruption where problems occur rather than relying on indicators based on numbers of branches and the availability of banking services, as suggested in the indicator framework.

During the monitoring period there have been no cases of resolution or deposit guarantee claims in Finland, and so it is not possible to determine the value of the selected indicator.

As with the previous goal, however, it should be borne in mind that the existence and credibility of deposit guarantee and resolution mechanisms create financial stability, and the fact that there have been no shocks in the financial market during the monitoring period would seem to attest to their effectiveness.

3.2.3 Example case: crisis management capability development project

The year 2020 saw the launch of an internal crisis management capability development project at the Financial Stability Authority. The project has helped the Authority to prepare for crisis management arrangements in a practical way and increased the understanding of the processes to be implemented at time of resolution. The improved levels of competence that soon resulted from the Authority's crisis management capability development project will also help resolution planning and make it easier to hold the details of an institution's own crisis management capability at the Authority.

The project in 2021 went better than expected. A significant number of functions of a resolution situation has been described, and the tools and file templates used in each

function are now ready to be used. To assist the experts in their work, an internal virtual crisis workspace was introduced at the Authority. Crisis management and the monitoring of processes in a resolution situation were defined. In addition, a development project implemented in partnership with other authorities was combined with this project in the spring. It improved the joint crisis management capability of the Finnish financial stability authorities and created a common understanding of further improvement needs.

3.3 Handprint – Reduced inequality (goal 10)

3.3.1 Identification of the goal and targets

The Financial Stability Authority is in the best position to promote target 10.5: *Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.*

The statutory functions of the Financial Stability Authority extend to making proposals and introducing initiatives with regard to improving the rules and regulations on crisis management in the financial sector. The Authority is actively involved in the review of national and EU legislation where it concerns substantive issues related to the banking sector, the purpose being to strengthen the stability of the financial market throughout the regulatory framework.

3.3.2 Indicators of progress

Very many factors contribute to the indicators for financial stability mentioned in the indicator framework, and the Authority has limited powers of influencing them. The Authority therefore believes that it is more appropriate to monitor an indicator derived from the target. The indicator chosen thus is 'legislative proposals, in the preparation of which the Authority has been actively involved.'

The Authority was involved in the following legislative work in 2021:

- Review of the EU Crisis Management and Deposit Insurance (CMDI) framework. In 2021 the Authority drew up its own response to the European Commission's consultation process and indirectly participated in that process by contributing, inter alia, to the work of the European Banking Authority (EBA) and the response to the consultation process from the European Forum of Deposit Insurers (EFDI). The Authority also took part in a consultation process initiated by the Finnish Parliament's Commerce Committee and expressed its views on the Government statement on the matter. The Authority also raised awareness of the regulatory project via its blog, for example¹.
- Regulatory projects connected with the completion of the banking union. The Authority has participated in parliamentary committee consultations and given its opinion on the common backstop to the Single Resolution Fund (SRF) and on measures to reduce the amount of non-performing loans in the EU.
- The EU Commission proposal to amend the regulation on banks' capital requirements (Basel III). The Authority was a member of the Ministry of Finance informal workgroup dealing with the proposal and took part in Parliament's Commerce Committee and Grand Committee consultation processes, expressing its views on the Government statement on the matter.
- Reform of the (Finnish) Act on Mortgage Credit Banks. The Authority was a

¹ FFSA blog 23.9.2021 Banking union common deposit insurance scheme (EDIS) yet to take shape (Pankkiunionin yhteinen talletussuoja (EDIS) hakee yhä muotoaan).

member of the Ministry of Finance informal workgroup that drafted the legislative proposal and it gave its opinion to Parliament's Commerce Committee.

- Recovery and resolution framework for insurance and reinsurance undertakings. The Authority had a role in Parliament's Commerce Committee's consultation process and expressed its views on the Government statement on the matter.
- Positive credit register. Also in 2021 the Authority was an active member of the subgroup set up by the Ministry of Finance in March 2020 *to establish a positive credit register*.
- ASP (Finnish help-to-buy scheme) legislation. The Authority has worked closely with the Ministry of the Environment and the State Treasury to ensure that reforms to ASP legislation will not harm the interests of ASP savers in the event of a claim under the deposit guarantee scheme.
- Digital identity development project. The Authority gave its views on the Ministry of Finance evaluation memorandum.

3.3.3 Example case: review of the resolution and deposit guarantee framework

The Financial Stability Authority has participated actively in discussions and made known its views to the Ministry of Finance and in the context of the Commission's open consultations on how the resolution and deposit guarantee framework should be developed. The Authority has mentioned the benefits of the Authority being responsible for both the deposit guarantee scheme and resolution. In October 2021 the Director General wrote about this in a SRB blog², making known the views of the Authority across Europe.

3.4 Handprint – Responsible consumption (goal 12)

3.4.1 Identification of the goal and targets

The Financial Stability Authority is in the best position to promote target 12.7: *Promote public procurement practices that are sustainable, in accordance with national policies and priorities* by means of its own procurement exercises.

The Authority takes the sustainability goals into account in its own procurement exercises and endeavours to influence the external impacts of its procurement, with reference, for example, to its internal guidelines on procurement and travel arrangements.

Effectiveness is mainly the result of the activities of corporate services actors, whose services the Authority makes much use of. In its procurement activities, the Authority utilises the centralised government framework arrangements when it involves joint procurement. The Authority has limited resources, so partners are often relied upon in procurement exercises other than joint ones. The partners are procurement specialists, so the opportunities to account for sustainability issues are a lot greater than if the Authority were not to use an external partner in procurement.

The Authority adheres to the state procurement strategy and procurement regulation. In matters of procurement, it takes into consideration the fight against the grey economy and conducts criminal record checks, for example.

² SRB blog 28.10.2021 Why not have one, neutral and integrated safety net system for resolution and deposit guarantee? FFSA blog 29.10.2021 Miksi meillä ei voisi olla yhtä neutraalia kriisintarkaisun ja talletussuojan muodostamaa turvaverkkoa?

3.4.2 Indicators of progress

Rather than monitor the indicator cited in the indicator framework, the Authority has decided to use two more pragmatic indicators;

- the degree to which there are responsibility labels in the joint procurement agreements concluded through Hansel Oy, and
- the Authority's procurement carbon footprint.

Effectiveness is determined with reference to the effectiveness goals contained in the contracts with corporate services actors throughout their term. Of the joint procurement agreements that the Authority uses, there is a Hansel Oy financial responsibility label in all the agreements, there is an ecolabel in 18.25% of them, and a social responsibility label in 3.24% of them.

The Authority's procurement carbon footprint in 2021 was 0.2 million kg CO₂eq, according to Hansel's calculations.

3.4.3 Example case: travel on official business

Before the COVID-19 pandemic, Financial Stability Authority experts would frequently travel to attend meetings of the SRB, EBA, EFDI and IADI (International Association of Deposit Insurers), as there were few opportunities for meeting remotely. But the pandemic changed all that. Organisers of meetings upgraded their equipment and systems to allow remote attendance at meetings. Very soon there was a major leap forward in meeting remotely. By 2021 it was routine practice for Authority experts to attend international meetings via a remote link.

Where it concerns business travel, the authority complies with the government rules and its travel strategy. The Authority's management was introduced to a proposal for a new travel strategy in March 2021, and it commented on it. The new travel strategy provides guidance on how to use new channels of communication and consider the necessity of travel more carefully than previously. The strategy proposes that the state can reduce the amount of travel it undertakes through the use, in particular, of remote links, promote its environmental friendliness by flying less, for example, and estimate the total cost of trips while including the impact of emissions. The Authority found that the aims and policies of the strategy were clear and perfectly acceptable. The new travel strategy has been made known to all the Authority's staff.

The Authority has guidelines on travel, and they were first updated in 2021, so that the good practices learnt during the pandemic about remote attendance at meetings would also remain valid when business travel once again becomes common and to allow the principles underlying the new travel strategy to be incorporated effectively in the business of the Authority. In future, Authority officials will attend meetings organised by international partners remotely when the organiser has made that possible and the nature of the meeting is not such that the physical presence of people is required. It is already apparent that international meetings organised by the Authority's stakeholders are only held having considered whether people need to be physically present and that the use of remote meetings will be the norm.

3.5 The footprint: the adverse impact on the operating environment

The main adverse impacts of the operations of the Financial Stability Authority result from business travel, the use of office space and equipment and the provision of

services. The Authority's procurement carbon footprint in 2021 was 0.2 million kg CO₂eq, according to Hansel's calculations.

Cutting business travel to a minimum during the pandemic reduced the Authority's carbon footprint substantially. The Authority worked remotely for almost the whole of 2021. This also lowered the Authority's footprint, as the staff were not coming into the office. The Authority will encourage remote attendance at international meetings and will allow people to work from home on several days a week, so that the organisation's carbon footprint does not return to pre-pandemic levels. The Authority has also introduced the option of using sports and cultural tokens as work perks to pay for public transport services.

The pandemic has also meant that less and less paper is being used in the office. The use of paper will decrease too when the Authority starts to use an electronic case management system and electronic archiving system in 2022.

The size of the Authority's carbon footprint is also affected by the use of the business premises and equipment, the maintenance of the data centre for IT purposes, and the provision of other services. The equipment and IT services used by the Authority are leased from the Government IT Centre Valtori. The Authority's office space is rented from Senate Properties. The led lighting at the office is energy-efficient, and the ventilation and cooling systems and electricity and cable networks now entirely meet current requirements.

4 Conclusion

The Financial Stability Authority's work in matters of sustainability continues. The Authority will continue to promote the credibility of the deposit guarantee scheme and resolution framework and develop them further. Other matters to attend to in 2022 include updating the working time decision where it concerns remote work, updating the guidelines on the Authority's travel arrangements and switching to an electronic case management system.



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