

# **The Financial Stability Authority's sustainability report for 2023**

22 March 2024



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# Table of contents

- 1 Management’s endorsement of the report.....3**
- 2 Sustainability in the work of the Authority .....3**
  - 2.1 Sustainability management and governance .....4
  - 2.2 The approach employed in drafting the report .....4
- 3 The sustainability goals .....5**
  - 3.1 Footprint – The goal to eradicate poverty in all its forms everywhere (goal 1)  
5
    - 3.1.1 Identification of the goal and targets.....5
    - 3.1.2 Indicators of progress.....5
    - 3.1.3 Example case: preparedness for a problem situation of a small and medium-sized bank .....6
  - 3.2 Handprint – The goal of decent work and economic growth (goal 8) .....6
    - 3.2.1 Identification of the goal and targets.....6
    - 3.2.2 Indicators of progress.....7
    - 3.2.3 Example case: feasibility of bank resolution .....7
  - 3.3 Handprint – Reduced inequality (goal 10).....8
    - 3.3.1 Identification of the goal and targets.....8
    - 3.3.2 Indicators of progress.....8
    - 3.3.3 Example case: Legislative revision of the EU crisis management and deposit insurance framework .....9
  - 3.4 Footprint: the adverse impacts of operations .....9
- 4 Conclusion.....10**

# 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 and fine-tuning of sustainability goals as the work has evolved, and in judging the progress that has been made in achieving those goals since 2021.

The Management Group has contributed to the drafting of the sustainability report for 2023, especially as regards the choice of example cases that give a comprehensive picture of the diverse nature of the development work that was done in 2023. The Authority's Director General adopted the third sustainability report on 22 March 2024.

[Read the Authority's sustainability reports for 2021 and 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. In summer 2022 the Authority acquired a new statutory function as administrator of the national backup account system.

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

Sustainability is linked in many ways to the Authority's core functions. The Authority is a responsible operator that promotes the stability of the financial market and confidence in the banking sector and financial market by improving the crisis management preparedness of institutions and authorities and by evaluating and developing the viability of the deposit guarantee system, the resolution framework and the backup arrangements for daily payments. Crisis management preparedness as well as effective and relevant regulation are necessary to ensure that the impact and costs of banking crises on society remain as small as possible. Moreover, the Authority ensures that the administrative fees charged to institutions are used by the Authority appropriately and in accordance with the law. The Authority also suggests areas in which public administration may be made more efficient through its association with the administrative branch of the Ministry of Finance.

Sustainability is part of the Authority's values. Everyone within the Authority can promote sustainability in the work they do in partnership with other authorities and the institutions that fall within the Authority's remit. Staff commitment to the values is measured each year with the job satisfaction barometer.

The Authority's employees 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 Director General are also bound by the Code of Ethics that applies to the Members of the Plenary Session of the Single Resolution Board (SRB).

## 2.1 Sustainability management and governance

The work on sustainability started at the Authority in 2021 by identifying the United Nations (UN) Sustainable Development Goals that are relevant from the perspective of a resolution and deposit guarantee authority. Two experts and the Authority's Management Group were involved in this process. The subgoals and the indicators to be monitored were selected at the beginning of 2022 as the Authority's first sustainability report was outlined.

**Read more about Agenda 2030, the global plan of action for sustainable development.**<sup>1</sup>

Since the start of 2022, the chief economist has been given the responsibility for monitoring issues connected with sustainability, in particular the green transition, and for exploring what aspects of the green transition are relevant from the viewpoint of a resolution and deposit guarantee authority. The chief economist is responsible for the monitoring of sustainability goals, thus supporting the drawing up of the sustainability report. The main responsibility for the fine-tuning and publishing of sustainability report was transferred to the communications specialist in the beginning of 2024.

To enhance the process, the chief economist and the communications specialist organise discussions with the entire staff to hear ideas on how to develop the sustainability work and evaluate the achievements made. They report to the Management Group on the work connected with the sustainability goals as it progresses. In particular they report on identified risks that may restrict the achievement of the sustainability goals or excessively increase the Authority's footprint, and on proposals for action to reduce risks. The Management Group decides on necessary policies to reduce the risks and the way in which sustainability work is to be accounted for in the Authority's operational planning.

## 2.2 The approach employed in drafting the report

In February 2024, persons involved in the preparation of the sustainability report presented to the Management Group for discussion that a clarification be made to the selected UN Sustainable Development Goals. It has emerged in connection with the preparation of the report that there is some overlap between matters related to the 12th UN Sustainable Development Goal, i.e. responsible consumption, and the Authority's footprint. Moreover, the Authority has a fairly limited possibility to affect the sustainability of consumption through its procurement. It is also appropriate that the Authority can promote the achievement of sustainability goals through its core functions. The Management Group approved the proposed amendment in March 2024. The structure of the sustainability report has been revised to correspond to the decision, i.e. the chapter concerning responsible consumption has been removed and information related to procurement has been included in the chapter concerning the Authority's footprint.

At the proposal of representatives of the Resolution Unit and the Deposit Guarantee and Emergency Supply Unit, the Management Group selected in March 2024 the example cases that best describe the progress made during 2023 in achieving the selected sustainability goals. Representatives of the Administrative Services and Financial Stability Fund Unit have collected the updated data on matters related to the footprint. A draft of the sustainability report was presented to the Authority's employees

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<sup>1</sup> 2030, global plan of action for sustainable development) (<https://kestavakehitys.fi/agenda-2030>)

in mid-March 2024. Based on the comments received, the sustainability report was finalised.

In forthcoming years, too, the achievement of the goals will always be examined in the beginning of the year, and the Authority's sustainability report will be drafted so that it will be completed in February–March. At the same time, it will also be examined whether it is necessary to further justify the selected goals or targets and the indicators used.

## 3 The sustainability goals

The Financial Stability Authority has identified three UN Agenda 2030 Sustainable Development Goals of relevance to its work, on which it can have a positive influence, i.e. leave its handprint:

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

The work of the Authority also creates a footprint that has adverse impacts from the perspective of sustainable development.

### 3.1 Footprint – 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 1.5: *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 Authority maintains and promotes a credible deposit guarantee system and resolution mechanism to ensure that all depositors have equal access to their money in times of economic shocks. One aim of resolution is to secure depositors' funds and the customer funds held by institutions. In the event of bankruptcy, the Authority would ensure that depositors received their funds up to a guaranteed limit of EUR 100,000.

On the other hand, the backup account system that the Authority is responsible for safeguards key services in daily payments in situations where the normal payment systems are not available in times of serious disruption in society or in a state of emergency.

Through its tasks, the Authority reduces the exposure to shocks and disasters among those in an especially vulnerable position.

#### 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 1.5.2: *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 the Finnish GDP.

During the monitoring period there have been no cases of resolution, deposit guarantee claims or any serious disruption or state of emergency that has warranted deployment of the backup account system in Finland. Hence it is not possible to determine the value of the selected indicator.

It is worth noting that the purpose of the 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 probability of a bank run has remained very low can be seen as an attest to their effectiveness.

### **3.1.3 Example case: preparedness for a problem situation of a small and medium-sized bank**

The banking crises in the United States and Switzerland in spring 2023 proved that the authorities must be prepared for extremely rapidly escalating problem situations and that the toolkit of the authorities must be sufficiently flexible.<sup>2</sup>

During 2023, the Authority further developed its capabilities related to the bankruptcy of a bank and payout of claims from the deposit guarantee fund situation, as well as to the implementation of the sale of business resolution tool. The Authority has specified and described the measures to be carried out in a crisis management situation in a more detailed manner than before. This work reinforces the Authority's capacity to manage crises especially in small and medium sized banks financed with deposits.

## **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 and to ensure that daily payment services will continue to run by means of the backup account system. The Authority is prepared for an escalation of problem situations so that the collapse of a bank, or its threatened collapse, can be dealt with by the authorities in a controlled manner. This way it is possible to minimise the effects of the collapse on the customers of the banks and on the real economy, for example, through a decline in lending. The effective implementation of resolution measures would also help avoid a situation where the problems of one bank lead to a widespread banking crisis which, in turn, could even lead to a long-term recession.

The Authority regularly draws up a resolution plan for the institutions within its jurisdiction and sets their minimum requirement for own funds and eligible liabilities

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<sup>2</sup> Financial Stability Authority's blog: Kevään 2023 pankkikriisit – mitä voimme niistä oppia? (Banking crises in spring 2023 – what can we learn from them?) (<https://rvv.fi/-/blogi-kevaan-2023-pankkikriisit-mita-voimme-niista-oppia->)

(MREL), at the same time identifying possible impediments for resolution. The Authority also continuously improves its own level of preparedness by developing its procedures and tools that would be used in the event of an institution facing serious problems.

### **3.2.2 Indicators of progress**

In connection with resolution, basic banking and other critical functions have to continue. Bank deposits and payment functions are normally defined as critical because disruption to them would have a wide and rapid impact on customers. In case of a pay-out situation under the deposit guarantee scheme, the deposits must be available to customers within seven working days. The continuity of crucial daily payment services is also ensured with the backup account system. The Authority can thus take measures to help customers have undisrupted access to banking services. For this reason, it is more appropriate to judge the effectiveness of the Authority's activities on the grounds of the length and extent of any disruption rather than on the basis of the indicator framework of the 2030 Agenda for Sustainable Development Goals, the number of bank branches or the availability of banking services (indicators 8.10.1 and 8.10.2).

During the monitoring period in Finland there have been no cases of resolution, deposit guarantee claims or any serious disruption or state of emergency that has warranted deployment of the backup system. Hence it is not possible to determine the value of the selected indicators.

However, as with the previous goal, it should be borne in mind that the existence and credibility of the deposit guarantee and resolution mechanisms create financial stability, and the fact that there have been no disruptions in the financial market during the monitoring period can be seen as an indication of the effectiveness of the work.

### **3.2.3 Example case: feasibility of bank resolution**

A key component of bank resolution planning is to judge whether an institution is well prepared for a potential resolution situation so that it is possible to apply resolution in an effective and controlled manner. This is known as resolvability, and it affects virtually all parts of banks. In 2023, the less significant institutions under the direct jurisdiction of the Authority promoted several resolvability dimensions to a significant extent, including the information needed for valuation and the bail-in tool, as well as the ensuring of operational continuity in resolution.

The Authority has also done a great deal of work to increase understanding of the resolution framework among investors and market participants. In particular, the Authority increased available information about the functioning of the framework by publishing in December 2023 a description of the write-down and conversion of own funds, capital instruments and eligible liabilities in resolution (bail-in)<sup>3</sup>.

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<sup>3</sup> Financial Stability Authority's press release 21 Dec. RVV on julkaissut bail-in-kuvauksen (The Financial Stability Authority has published a bail-in description) (<https://rvv.fi/-/rvv-on-julkaissut-bail-in-kuvauksen>)

## 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 developing the rules and regulations on crisis management in the financial sector. The Authority is actively involved in the development 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 through the regulatory framework.

### 3.3.2 Indicators of progress

A great many factors have an impact on the indicators for economic stability mentioned in the indicator framework (indicator 10.5.1), and the Authority has a limited scope to influence these. Therefore, the Authority believes that it is more appropriate to monitor an indicator derived from the target: “legislative proposals, in the preparation of which the Authority has been actively involved.”

The Authority took part in the following EU-level legislative work in 2023:

- Review of the EU Crisis Management and Deposit Insurance (CMDI) framework. In April 2023, the European Commission published its proposals to reform the Single Resolution Mechanism Regulation, the Bank Recovery and Resolution Directive and the Deposit Guarantee Scheme Directive. The Authority attended a consultation session of the Finnish Parliament’s Commerce Committee and commented on the Government’s statement on the matter.
- The Authority was also involved in the drafting of EBA guidelines and the EU’s regulatory technical standards (RTS). It also commented on several EU legislative projects via the preparative sub-committees for EU affairs.

The Authority took part in the following national legislative work in 2023:

- Amendment of the Act on the Financial Stability Authority’s administrative fee. The Authority participated in the legislative drafting and attended a hearing of Parliament’s Commerce Committee, expressing its views on the Government’s proposal on the matter.
- Positive credit register. The Authority commented on the Government’s proposal to amend the Act on the Positive Credit Register.
- Legislation on basic banking services and credit institutions. The Authority responded to the Government’s query concerning the need for amendments.
- Permission applications concerning the activities of credit institutions. The Authority responded to the Government’s request for a statement on the matter.
- Prevention of money laundering and financing of terrorism. The Authority commented on the working group’s memorandum.
- Cloud services. The Authority commented on the updating of the state administration policies.
- Liability for damages of public sector entities. The Authority commented on the report of the working group.

The press releases, blogs and statements published by the Authority in 2023 are listed in the last press release of the year.<sup>4</sup>

### **3.3.3 Example case: Legislative revision of the EU crisis management and deposit insurance framework**

The Financial Stability Authority has taken active part in discussions with other authorities and supported the Ministry of Finance in the preparation for the Council's working group meetings. The Authority has expressed its views on the European Commission's proposal in international working groups and in its speeches and blogs. The blog<sup>5</sup> where the CMDI proposal is put under scrutiny by the Financial Stability Authority provides a comprehensive account of the Authority's views. The blog<sup>6</sup> on small and medium-sized banks published in the autumn provides more background information and is based on the work carried out by the SRB.

## **3.4 Footprint: the negative impact of the operations**

The main identified negative impact of the operations of the Financial Stability Authority result from business travel, the use of office space, and IT equipment and services. The use of paper is low and has decreased further with the introduction of the electronic case management system.

The carbon footprint from travel by the Authority's staff in 2023 totalled 31,090 CO<sub>2</sub>-eqv./kg calculated by the Trust Carbon method.<sup>7</sup> During 2023, the Authority's staff flew to international conferences on 37 occasions. There were three domestic flights taken, 14 flights to Brussels, six to another Nordic country, 18 to other destinations in Europe, and two to destinations outside Europe. The total distance flown was about 160,430 kilometres, which is approximately 5,900 kilometres on average per employee. In 2022, the average distance flown by each employee totalled some 5,400 kilometres. Taking into consideration that in 2022 the flights were mainly taken in the second half of the year after the pandemic had eased, the rise during 2023 has been moderate.

In 2023, the Authority's employees were given the opportunity to take advantage of the Smartum commute benefit for public transport services. This contributes to the reduction of the carbon footprint of commuting by the Authority's employees. The employees can also use Smartum's benefits for sport and physical activities, which increases wellbeing and working capacity.

The size of the Authority's footprint is also affected by the equipment used by it, the maintenance of data centres for IT purposes, and other services. The equipment, as well as services related to information technology and administration used by the Authority are leased from the Government ICT Centre Valtori.

The Authority's office space is rented from Keva. The LED lighting of the offices is energy efficient, and the ventilation, cooling, and electricity and cable networks have

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<sup>4</sup> Authority's press release 21 Dec. 2022 Rahoitusvakaustavirasto – kooste 2023 (The Financial Stability Authority – compilation 2023) (<https://rvv.fi/-/rahoitusvakaustavirasto-kooste-2023>)

<sup>5</sup> Financial Stability Authority's blog: CMDI-ehdotus Rahoitusvakaustaviraston puntarissa (CMDI proposal under scrutiny by the Financial Stability Authority) (<https://rvv.fi/-/blogi-cmdi-ehdotus-rahoitusvakaustaviraston-puntarissa>)

<sup>6</sup> Financial Stability Authority's blog: Pienet ja keskisuuret pankit pankkiunionissa – millaisia ne ovat? (Small and medium-sized banks in the banking union – what are they like?) (<https://rvv.fi/-/blogi-pienet-ja-keskisuuret-pankit-pankkiunionissa-millaisia-ne-ovat->)

<sup>7</sup> One return flight within the Nordic countries is not included in the calculation because Finnair loyalty points were used in the reservation, in which case it is not shown in CWT's information.

been completely upgraded to meet the current requirements. During 2023, Keva's energy-saving measures included, e.g. optimising the ventilation and temperature controls. During 2023, the property switched to using 100 per cent renewable electricity. For its residential and office premises, Keva purchases 100 per cent renewable electricity only.<sup>8</sup> More than 70 per cent of the electricity is generated by a wind farm in Northern Ostrobothnia, completed in 2022. In 2023, the heat consumption in the property included 36.8 per cent of recycled heat in the form of Helen's Eco Heat Bio product.

Where possible, the Authority uses central government corporate service providers in its procurement. They are specialised in procurement and are therefore better equipped than the Authority to take sustainability issues into account in procurement.<sup>9</sup> In 2023, 12 per cent of the Authority's volume of purchase invoices related to other than travel came from corporate service providers. In its procurement, the Authority utilises the centralised government framework arrangements in joint procurement activities. In 2023, joint procurement accounted for 2.5 per cent of the Authority's total procurement. In 2023, 71.3 per cent of joint procurement was implemented with agreements having a financial responsibility label, 12.8 per cent with agreements that had an ecolabel, and 0.9 per cent with an agreement with a social responsibility label. According to Hansel's calculations, the carbon footprint of the Authority's purchase invoices related to other than travel totalled 919,747 CO<sub>2</sub>-eqv./kg in 2023.

## 4 Conclusion

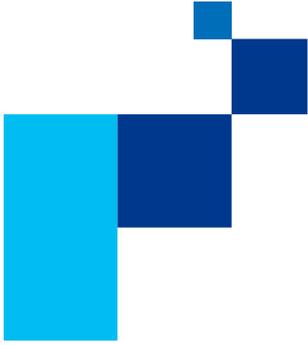
The Financial Stability Authority's work in matters of sustainability continues. The Authority will continue to promote the credibility of the deposit guarantee scheme, resolution framework and the daily payments contingency arrangements and develop them further. For example, during 2024 the Authority will implement several simulations to test the Authority's crisis management preparedness and will further develop the method of measuring the Authority's preparedness to act in problem situations. Both of them will provide important information about how to focus the development work in the most appropriate way in the future.

The Authority will also continue to assess how matters related to climate change and the green transition should be taken into account in the core functions, such as in resolution planning and fund investment activities. These themes are also part of the implementation of SRM's new strategy, and the Authority will co-operate with SRB on these themes.

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<sup>8</sup> Keva 15 April 2021, Keva to use only carbon-neutral electricity in its investment properties (<https://www.keva.fi/en/news/keva-to-use-only-carbon-neutral-electricity-in-its-investment-properties/>)

<sup>9</sup> Further information about the sustainability work of the corporate service providers is available from their sustainability reports: Valtori (<https://valtori.fi/vastuullisuus/>), Palkeet (<https://palkeet.fi/uutiset/vastuullisuusraportointi-vuodelta-2022/>), Haus (<https://haus.fi/vaikuttavuus-ja-vastuullisuus/>) and Hansel (<https://www.hansel.fi/hankintatietoa/hankintojen-vastuullisuus/>).



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