

FINANCIAL SUPERVISION AUTHORITY

Rules of Procedure of the Financial Supervisory Authority

Introduction

In accordance with section 8 of the Act on the Financial Supervisory Authority, the Parliamentary Supervisory Council shall confirm the rules of procedure of the Financial Supervisory Authority.

The responsibilities of the Parliamentary Supervisory Council shall be:

- 1) to supervise the overall expediency and efficiency of the activities of the Financial Supervisory Authority;
- 2) to appoint the members and deputy members of the board and designate one of the members as Chairman and one as Vice Chairman
- 3) to decide on the suspension from duty of a board member or deputy board member for a specified period;
- 4) to appoint and dismiss, upon proposal by the board, the Director General and designate a deputy to the Director General;
- 5) to decide the principles for determining the Director General's salary, leave of absence and annual leave and any other matters pertaining to the Director General's terms of employment;
- 6) to decide on the issuance of a warning to the Director General and the suspension of the Director General from office for a specified period;
- 7) to confirm the rules of procedure of the Financial Supervisory Authority upon proposal by the board;
- 8) to supervise compliance by board members with their disclosure obligations provided in section 16;
- 9) to decide the compensation payable to board members.

1 Scope of application

These rules of procedure set out provisions on the handling of matters by the Financial Supervisory Authority, its decision-making, the responsibilities of its employees and other aspects of administration.

2 Employees of the Financial Supervisory Authority

The Financial Supervisory Authority is composed of the Director General, senior employees and other employees.

The senior employees comprise the heads of department and any other senior employees appointed by the board. The heads of department designated as deputies to the Director General are named deputy director generals.

The Parliamentary Supervisory Council shall appoint and dismiss the Director General, upon proposal by the board, and decide on permission for the Director General to hold secondary posts.

The board of the Financial Supervisory Authority shall appoint and dismiss senior employees on the submission of the Director General.

The Director General shall appoint and dismiss other employees on the submission of the head of the department concerned.

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3 Responsibilities of the board

The board shall convene in accordance with adopted meeting schedules and, where necessary, when summoned separately by the Chairman or the Director General. The board shall appoint a secretary, who will draw up the minutes of board meetings and perform the duties assigned by the board. The minutes of each meeting are approved at the subsequent meeting. The approved minutes are then signed by the Chairman and the secretary of the board.

The board shall convene regularly in its ordinary composition. The Director General shall be present and have the right to be heard at the meetings, except where the matter discussed concerns the Director General. Deputy members shall have the right to attend and exercise the speech and voting rights of a member at board meetings only in the absence of the ordinary member for whom they are deputising, unless otherwise decided by the board. Where necessary, the board may summon employees of the Financial Supervisory Authority or external expert advisers to be heard on individual matters.

In accordance with section 10 of the Act on the Financial Supervisory Authority, the board shall have the following responsibilities in the field of financial market supervision:

- 1) to decide the overall strategy of the Financial Supervisory Authority and set specific operational objectives and direct and supervise compliance with the strategy and achievement of the objectives;
- 2) to approve regulations issued by virtue of law and those guidelines that it has not transferred to the Director General for approval;
- 3) to decide on the principles to be observed by the Financial Supervisory Authority in international cooperation;
- 4) to attend to the development of cooperation between the authorities involved in the supervision of financial markets;
- 5) to order payment of a conditional fine imposed by the Financial Supervisory Authority and decide on other administrative sanctions as referred to in chapter 4 of the Act on the Financial Supervisory Authority, namely an administrative fine, public reprimand, public warning and penalty payment.

The board shall have the following responsibilities regarding the administration of the Financial Supervisory Authority:

- 1) to decide the supervision fees and processing fees to be levied by the Financial Supervisory Authority and review the plan for covering a financial deficit as referred to in section 70 of the Act on the Financial Supervisory Authority;
- 2) to approve the supervision agreements referred to in section 67 of the Act on the Financial Supervisory Authority and the compensation charged from, or payable to, a foreign EEA supervisory authority for supervisory measures required under such agreements in so far as the Financial Supervisory Authority, under such agreements, undertakes to take over or surrender tasks other than those based on cooperation commitments required under European Union legislation;
- 3) to consider the annual budget of the Financial Supervisory Authority and submit it to the board of the Bank of Finland for confirmation;
- 4) to present the rules of procedure of the Financial Supervisory Authority to the Parliamentary Supervisory Council for confirmation;
- 5) to approve the principles for competitive bidding in respect of services needed by the Financial Supervisory Authority;

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- 6) to make a proposal to the Parliamentary Supervisory Council for appointment and dismissal of the Director General, designation of a deputy to the Director General and suspension of the Director General from office;
- 7) to appoint and dismiss senior employees of the Financial Supervisory Authority, with the exception of the Director General;
- 8) to decide on suspension from duty or issuance of a warning to employees it has appointed;
- 9) to decide on the departments of the Financial Supervisory Authority;
- 10) to supply the Parliamentary Supervisory Council with an annual report on the activities of the Financial Supervisory Authority;
- 11) to supply whenever necessary, but at least once a year, the Parliamentary Supervisory Council with a report on the operational objectives of the Financial Supervisory Authority and their achievement, including an assessment of expected changes in supervision, their impact on the accumulation of supervision fees and measures required for such changes;
- 12) to annually consult representatives of financial market participants on the objectives set for supervision and their achievement, including the budget referred to in paragraph 3 and the assessment referred to in paragraph 11.

In addition to the provisions above, the board shall also decide on those far-reaching and important issues of principle that the Director General submits to it for consideration. The provisions of section 13 of the Act on the Financial Supervisory Authority shall apply to the right of the board to consider matters falling under the competence of the Director General.

The power of decision in respect of issuance of regulations and guidelines vested in the board as referred to in section 10, subsection 2, paragraph 2 of the Act on the Financial Supervisory Authority may in the rules of procedure be transferred to the Director General if the matter is of minor importance.

In accordance with section 13 of the Act on the Financial Supervisory Authority, decisions that the Director General intends to make shall be submitted to the board for information before final decision if they concern:

- 1) granting of authorisation to a supervised entity, withdrawal of authorisation, restriction of authorised business, closing down or restriction of the business of a foreign EEA branch, dissolution of the consortium of cooperative banks or, if decision-making competence lies with another authority, a proposal to withdraw authorisation or restrict business;
- 2) confirmation of the Articles of Association and by-laws of supervised entities, where the matter is far-reaching or concerns an important issue of principle;
- 3) imposition of an obligation on a supervised entity to take measures for the revocation or correction of an implemented decision, performed measure or procedure;
- 4) restriction of the distribution of funds by a supervised entity;
- 5) imposition of additional capital requirements on a supervised entity;
- 6) restriction of the activities of a supervised entity's management for a specified period; or
- 7) publication of significant opinions on overall financial market developments.

If requested by a board member, the board may take up for consideration a matter referred to in subsection 7 above. The board will be entitled to take up a matter for decision if it may significantly affect the stability of financial markets or otherwise significantly affect their development or cause significant disruptions to the functioning of the financial system. Where a decision needs to be taken as a matter of urgency, the Director

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General may resolve the matter notwithstanding the above provisions of this subsection. Such a decision taken by the Director General shall be submitted ex-post to the board for information.

4 Submissions before the board

Matters to be decided by the board shall be prepared and submitted by the Director General or his or her appointee, except for matters referred to in section 2, subsection 3 of the Act on the Financial Supervisory Authority.

5 Responsibilities of the Director General

In accordance with section 12 of the Act on the Financial Supervisory Authority, the responsibilities of the Director General shall be:

- 1) to manage the activities of the Financial Supervisory Authority and take decisions of the Authority other than those falling under the competence of the board;
- 2) to assume responsibility for the efficient and expedient performance of the tasks of the Financial Supervisory Authority in accordance with guidelines laid down by the board;
- 3) to assume responsibility for the appropriate preparation of matters to be discussed by the board;
- 4) to keep the board informed on matters of which he or she has become aware in the course of the work of the Financial Supervisory Authority and that affect development of the financial markets, and to assume responsibility for other reports given to the board;
- 5) to appoint and dismiss Financial Supervisory Authority employees other than senior employees;
- 6) to decide on suspension from office or issuance of a warning to employees he or she has appointed.

Decisions shall be taken by the Director General or, when prevented from attending to his or her duties, by his or her deputy.

The Director General shall decide on the issue of such amendments to regulations and guidelines as do not substantially affect the activities of a supervised entity, financial stability or financial markets otherwise, or which derive from a clear and imperative legal provision and do not involve substantial exercise of independent discretion.

Matters shall be decided on the basis of submissions, unless otherwise required by the urgency of the matter or for other special reasons.

6 Management group

The Director General may be assisted by an advisory management group. In addition to the Director General, this may include the heads of department and other employees appointed by the Director General.

The Director General may refer matters under preparation to the management group for consideration prior to their submission to the board or the Director General for decision or referral to the board for consideration or information, if the matter concerns responsibilities or issues under sections 10 or 13 of the Act on the Financial Supervisory Authority. The management group may also consider other matters of significance to financial stability or financial market developments. Appointments and dismissals of the Director General or senior employees of the Financial Supervisory Authority, designation of a deputy to the Director General, suspension from office or issuance of a warning may not, however, be discussed by the management group.

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7 Delegation of the decision-making power of the Director General

Under section 13 of the Act on the Financial Supervisory Authority, decision-making authority falling under the competence of the Director General may under the rules of procedure also be entrusted to another employee of the Financial Supervisory Authority.

The decision-making power of the Director General is delegated to the heads of department in matters which fall within the area of responsibility of the respective department, except for matters which under law or these rules of procedure must be considered by the board before a decision on them is taken, or which have been taken over by the Director General for decision.

The Director General is always entitled to take up for decision matters that have been delegated to a head of department under these rules of procedure.

8 Signing of documents

The document of a decision by the board shall be signed by the Director General and the submitter or by the secretary of board instead of the submitter. Other decisions of the Financial Supervisory Authority shall be signed by the person having taken the decision and by the submitter.

The submitter has the right to have his or her dissenting opinion entered in the archived copy of the document or its appendix. The dissenting opinion must be signed by the submitter. The person deciding the matter shall record the presentation of a dissenting opinion in the same document.

If a decision can be appealed, the relevant document shall be accompanied by appeal instructions.

Letters of the Financial Supervisory Authority shall be signed by two employees, one of whom must be the Director General, a senior employee, head of division or unit or expert of equivalent status.

Procurement documents and other documents with legal effect shall be signed as instructed by the Bank of Finland.

9 Amendment of the rules of procedure

Amendments to the rules of procedure shall be confirmed by the Parliamentary Supervisory Council on the submission of the board.

10 Entry into force

These rules of procedure will take effect on 1 January 2009.