



FINANSTILSYNET

THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

ANNUAL REPORT 2021



Risk Outlook 2021 and reports from the supervised sectors

Analyses of trends in the financial market were covered in the *Risk Outlook* report, which was published in June and December. Separate reports on activities in the supervised sectors in 2021 were published in February 2022.

CONTENTS

I	REPORT BY THE CHAIR AND THE DIRECTOR GENERAL	4
II	INTRODUCTION AND MAIN FIGURES	7
III	THE YEAR'S ACTIVITIES AND RESULTS	22
IV	MANAGEMENT AND CONTROL OF FINANSTILSYNET'S OPERATIONS	38
V	ASSESSMENT OF FUTURE PROSPECTS	43
VI	ANNUAL ACCOUNTS	47



**REPORT BY THE CHAIR AND
THE DIRECTOR GENERAL**

REPORT BY THE CHAIR AND THE DIRECTOR GENERAL

The Covid-19 pandemic continued to have an impact on the financial markets and the real economy in 2021. After the containment measures were generally lifted in September, resurging infection resulted in the reintroduction of extensive containment measures towards the end of the year both in Norway and internationally. Even though new shutdowns affected parts of the economy and caused greater uncertainty about the future path of the pandemic, this did not lead to new turmoil in the financial markets. Global markets were characterised by strong growth in property and share prices, continued low risk premiums and high debt growth.

In the course of the pandemic, many countries have experienced that activity quickly picks up once the comprehensive containment measures are lifted. As a result, the economic downturn was less extensive than feared during the first phase of the pandemic. Norway and several other countries are now experiencing high capacity utilisation and a tight labour market. Higher energy and commodity prices and bottlenecks in global value chains, coupled with strong fiscal and monetary stimulus, have contributed to pushing up inflation. Inflation in the US, the UK and the euro area is now far above the set inflation targets.

Government authorities and market participants are increasingly aware of the risk of persistent high inflation, necessitating strong interest rate increases and a rapid reduction in central banks' large bond holdings in order to restore confidence in the value of money. Such a scenario could entail substantial credit losses, a sharp decline in property and financial asset prices, and a prolonged downturn. Finanstilsynet's stress test of Norwegian banks, which was published in June, is based on such a scenario. The stress test showed that Norwegian banks may be subject to substantial losses and lower solvency levels. Profitable operations and the build-up of capital in recent years nevertheless ensure that the banks overall are well positioned to meet these developments.

The economic upturn and financial market developments contributed to the strong results achieved by Norwegian financial institutions in 2021. In light of current developments and new assessments of the economic effects of the pandemic, European and Norwegian authorities could repeal their recommendations to restrict dividend payments and other distributions in autumn 2021. At the

same time, Finanstilsynet emphasised that the banks' underlying capital adequacy should not be weakened, as illustrated in, among others, Finanstilsynet's stress test.

Geopolitical turmoil poses a considerable risk to developments in the real economy and the financial markets in the period ahead. The Russian attack on Ukraine in late February and the economic sanctions and other restrictions on economic cooperation resulting from the war may have far-reaching economic and financial consequences. This is a strong reminder that banks and other financial institutions should preserve their solvency levels.

Even though Norwegian banks have enjoyed sound profitability over several years, there are still considerable differences between them. On 23 June 2021, the Ministry of Finance decided, based on Finanstilsynet's advice, to place Optin Bank ASA under public administration. This was the first time since 1989 that a Norwegian bank was placed under public administration. The Norwegian Banks' Guarantee Fund paid guaranteed deposits to affected depositors within the statutory deadline. There was good interaction between Finanstilsynet, the Guarantee Fund, Norges Bank and the Ministry in keeping with legal requirements. Optin Bank is a small bank, and the crisis in the bank did not have negative ripple effects in the financial system. However, this case underlines the importance of thorough emergency preparedness and of ensuring that Finanstilsynet has sufficient resources to follow up and pre-empt crises, also in small banks. Crises in individual banks of this type may have far more severe consequences for the financial system if they occur during a period of general market turmoil.

Norwegian non-life insurers have been highly profitable for a number of years. Nevertheless, there are significant differences between the undertakings. Following several years of close follow-up, Finanstilsynet notified Insr Insurance Group ASA on 26 June 2020 that it was considering to revoke its licence to operate as a non-life insurer. The notification was based on persistent and serious deficiencies in the management and control of the business. Insr thereafter presented a liquidation plan, which was approved by Finanstilsynet subject to certain terms and conditions. Insr's insurance business was fully liquidated in January 2022. Finanstilsynet has spent considerable resources over a period of several years on this insurer. Although Insr's activities constituted a small part of the

total non-life insurance market, the use of resources was necessary to safeguard policyholders' interests and the general confidence in insurance activities.

Low interest rates and easy access to liquidity globally have contributed to high risk appetite among both professional investors and consumers. This has stimulated demand for real estate and shares in general, and in particular demand for high-risk financial instruments and non-traditional investments, such as crypto assets.

One of the effects of the search for yield is a high level of activity on Euronext Growth Oslo, a multilateral trading facility operated by Oslo Børs. The companies admitted to trading on Euronext Growth Oslo typically have a far shorter history and more limited operations than listed companies. Many are start-ups and have no or very low operating income. Investments in such companies thus entail higher risk than investments in established listed companies. In a heated market, investor protection and general confidence in the securities market must be safeguarded. In 2021, Finanstilsynet therefore carried out a thematic inspection at the market operator Oslo Børs and at investment firms and audit firms that have been involved in admission processes and securities transactions related to selected issuers. The thematic inspection revealed several weaknesses, especially in the handling of conflicts of interest at the market operator and investment firms.

Social media have become an important arena for discussions and marketing of various investments, both in regulated financial instruments and in virtual currencies and other crypto assets. Many so-called influencers market various investments, often based on their own financial interests. Some of these activities may require a licence and be subject to the market abuse provisions of the securities legislation. Finanstilsynet has limited resources to monitor social media activity, and much of the activity lies outside Finanstilsynet's mandate. Through 2021, Finanstilsynet nevertheless implemented a number of measures to inform the general public and influencers about relevant legislation and investment risk.

Both in Norway and internationally, there is ever increasing focus on cyber risk and other digital vulnerabilities. Both the pandemic and greater geopolitical tensions have reinforced the need to protect the financial infrastructure and increase preparedness against digital attacks. In Norway, there is a high degree of preparedness for dealing with digital crises and attacks affecting the financial sector, where coordination between the relevant authorities and the financial industry is essential and must be maintained and refined. Finanstilsynet has nevertheless uncovered some weaknesses in the institutions' management and control of ICT systems.

Climate risk and the transition to a low-emission society affect and place demands on the financial industry. The industry must monitor and understand the impact of climate risk on its operations, and must meet requirements for transparency and reporting of climate risk.

Finanstilsynet has intensified its efforts in this field. Among other things, Finanstilsynet presented an analysis in December of climate risk in Norwegian banks.

Finanstilsynet generally discharged its tasks in line with the Ministry of Finance's letter of allocation and its own plans in 2021, even though containment measures and extraordinary tasks related to the pandemic had a certain impact on operations. Some processes have taken longer than planned, whereby tasks that should have been completed in 2021 will not be completed until 2022. Finanstilsynet has further digitalised its activities and has laid a good foundation for continuing this work in the years ahead. This will help Finanstilsynet fulfil its social mission more efficiently and with higher quality. Nevertheless, the significant increase in Finanstilsynet's tasks will make it difficult to keep supervisory activity at an adequate level in the period ahead unless increased funding is provided to hire more employees.

Finanstilsynet's activities and its operating parameters have changed considerably in recent years, particularly as a result of new European legislation and supervisory cooperation in the EEA. Experience has shown that a review of the Financial Supervision Act from 1956 is required. Among other things, there is a need to further clarify the requirements for Finanstilsynet's independence and the division of responsibilities between the Ministry and Finanstilsynet. In January 2020, Finanstilsynet therefore took the initiative to establish a committee to review the Financial Supervision Act. In September 2021, the government nominated such a law committee. The committee will present its report by 1 December 2022. Finanstilsynet is looking forward to the results of this work.

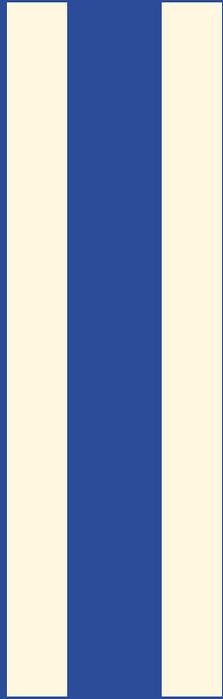
Oslo, 28 February 2022



Finn Arnesen
Board Chair



Morten Baltzersen
Director General



INTRODUCTION AND MAIN FIGURES

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Finanstilsynet's role and responsibilities

Finanstilsynet is an independent government agency that builds on laws and decisions emanating from the Storting (Norwegian parliament), the government and the Ministry of Finance. Finanstilsynet also participates in extensive international cooperation. Through the EEA Agreement, EU financial market regulation is implemented in Norwegian law.

Through its supervision of institutions and markets, Finanstilsynet promotes financial stability and well-functioning markets and helps to instil confidence that financial contracts will be honoured and services performed as intended.

Finanstilsynet supervises how the institutions operate in the financial markets, whether they are financially sound and able to cope with changing economic conditions, and whether they have an acceptable risk level.

Basis in law

Finanstilsynet's mission is set out in the Financial Supervision Act (Section 3):

'Finanstilsynet shall ensure that the institutions it supervises operate in an appropriate and proper manner in accordance with law and provisions issued pursuant to law and with the intentions underlying the establishment of the institution, its purpose and articles of association. Finanstilsynet shall ensure that the institutions it supervises attend to consumer interests and rights in their activities.'

Strategy

Every four years, Finanstilsynet reviews the strategy underlying its activities. The strategy is an important basis for ongoing prioritisation and management of the authority's activities. Along with the letter of allocation from the Ministry of Finance, the strategy forms the basis for the annual plans for these activities. The strategy for the period 2019–2022 was established by the Board of Directors on 18 December 2018.

Main goal

Finanstilsynet's main goal is to promote financial stability and well-functioning markets.

Operational goals 2019–2022

In the strategy for 2019–2022, six operational goals were formulated to simplify operationalisation of the main goal and evaluation of activities. The operational goals have been used in the reporting of goal achievement in 2021, see account in Chapter III. These are the operational goals:

1. Financially sound and well-capitalised financial institutions
2. Robust infrastructure
3. Investor protection
4. Consumer protection
5. Effective crisis management
6. Fight against crime

Instruments

Finanstilsynet's activities are wide-ranging, and a number of instruments are deployed with a view to meeting the authority's goals. The instruments are used individually or in combination and can be divided into four main groups:

- Supervision, monitoring and control
- Licensing
- Regulatory development
- Information and communication

Management

Finanstilsynet's Board of Directors has by law the overarching responsibility for Finanstilsynet's activities. At the end of 2021, the Board had four members, one alternate and two members representing the employees. Members and alternates are appointed by the Ministry of Finance for a term of four years. The alternates attend all board meetings. The two members elected by and from among the employees supplement the Board when administrative matters are on the agenda. In addition, board meetings are attended by an observer from Norges Bank who is also appointed by the Ministry of Finance. As from 1 March 2018, Finn Arnesen has been Chair of Finanstilsynet's Board of Directors.

The day-to-day management is in the hands of the Director General, who is appointed for a period of six years at a time. Morten Baltzersen has been Director General since 15 August 2011 and started his second term in August 2017. Finanstilsynet's management team consists of the Director General, the directors of the supervisory departments and the Administration Department, the General Counsel and the Communications Director.



Board of Directors

Finn Arnesen

Chair

Professor – Scandinavian Institute of Maritime Law, Faculty of Law, University of Oslo

Giuditta Cordero-Moss

Deputy Chair

Professor – Department of Private Law, Faculty of Law, University of Oslo

Mette Bjørndal

Board member

Professor – Department of Business Management and Science, NHH Norwegian School of Economics

Arne Skauge

Board member

Retiree, previously Managing Director of the Norwegian Financial Services Association

Thorunn Falkanger

First alternate

Senior lecturer – Department of Law and Governance, BI Norwegian Business School

Sindre Weme

Observer

Director, Banking Analysis – Norges Bank

Ylva Søvik

Alternate observer

Assistant Director, Banking Analysis – Norges Bank

Kjetil Wibe, attorney-at-law at Advokatene Rege & Wibe, was a board member until 12 February 2021.

Bjørn Arild Gram, former Board Chair of the Norwegian Association of Local and Regional Authorities (KS), was a second alternate until 14 October 2021, when he was appointed Minister of Local Government and Regional Development.

Representatives for the employees:

Øystein Endal, Senior Adviser (as from 10 May 2021)

Alfred Ødegård, Senior Adviser (as from 1 October 2021)

Their alternates were Senior Adviser **Astrid Rindal** and Senior Adviser **Linn Therese Jørgensen**.

Senior Adviser **Torunn Moe** was an employee representative up to 30 September 2021.

Eleven ordinary board meetings were held in 2021. The Board decided 25 administrative matters and 52 supervisory matters. The Board received information in writing on a further 24 administrative matters and 45 supervisory matters. The Board also receives a verbal briefing on relevant matters.

From the left:
Mette Bjørndal
Astrid Rindal
Ylva Søvik
Arne Skauge
Giuditta Cordero-Moss
Alfred Ødegård
Thorunn Falkanger
Finn Arnesen

Photo:
Jarle Nytingnes



Management team

Morten Baltzersen

Director General

Ann Viljugrein

*Deputy Director General,
Banking and Insurance Supervision*

Anne Merethe Bellamy

*Deputy Director General,
Capital Market Supervision*

Per Mathis Kongsrud

*Deputy Director General,
Digitalisation and Analysis*

Cecilie Ask

General Counsel

Nina Moss

*Deputy Director General,
Administration*

Lisbeth Strand

Communications Director

From the left:
Anne Merethe Bellamy
Lisbeth Strand
Ann Viljugrein
Morten Baltzersen
Per Mathis Kongsrud
Cecilie Ask
Nina Moss

Photo:
Jarle Nytingnes

Licensable entities under supervision

- banks
- finance companies
- mortgage companies
- savings bank foundations and financial foundations
- debt information undertakings
- payment institutions
- e-money institutions
- account information service providers
- insurers
- insurance intermediaries
- pension undertakings
- market operators, incl. stock exchanges
- central counterparties
- central securities depositories
- investment firms
- fund management companies
- alternative investment fund managers (AIFMs)
- auditors and audit firms
- external accountants and external accounting firms
- real estate agents and real estate agencies
- debt collection agencies
- financial benchmark administrators

Other supervisory tasks

- resolution authority
- macroprudential supervision and regulation
- prospectus control
 - transferable securities
- financial reporting enforcement
 - listed companies
- supervision of trading and conduct in the securities market
- supervision of various aspects of the derivative market
- supervision of loan intermediaries
- supervision of IT and payment services and financial infrastructure
- compliance with the anti-money laundering legislation among trust and company service providers and providers of exchange and storage services for virtual currencies, as well as entities under supervision

Personnel policy and organisation

Staff turnover was 10.7 per cent in 2021, up from 7.3 per cent in 2020. There has been an increase in the number of recruited employees for several years, and 45 positions were announced in 2021. Several of the positions have been announced more than once, and some of the processes will be completed in 2022. Finanstilsynet is marketing itself to the target groups it is recruiting from and uses alternative recruitment methods to attract the right competencies. It has proven difficult to recruit qualified expertise in some specialist fields.

Finanstilsynet's activities require both cross-disciplinary competence and spearhead competence in the various areas of supervision. The majority of its employees have their training in economics, business economics, law or auditing. Finanstilsynet is working continuously to further develop its organisation in keeping with national recommendations and its own needs, and attaches importance to measures designed to recruit, retain and further develop capable staff members and managers. In addition, Finanstilsynet focuses on internal mobility to increase the overall level of competence.

The Director General's salary at the end of 2021 was NOK 1,770,000. The fixed annual remuneration to the Board Chair was NOK 295,200, to the Deputy Chair NOK 199,400 and to each board member NOK 172,700. Remuneration to the first alternate was NOK 145,300 and to the second alternate NOK 121,800.

Facts and figures

Finanstilsynet had 310 permanent positions at the end of 2021, compared with 308 one year earlier. The number of employees at Finanstilsynet at the end of 2021 was 326, compared with 323 at the end of 2020. This includes short-term appointments / persons paid by the hour. The number of contracted FTEs totalled 301.5 at the end of 2021, an increase from 297 a year earlier. Contracted FTEs are calculated based on the total number of employment contracts. Days of absence have not been deducted. The number of FTEs worked was 294 in 2021, compared with 292 in 2020. Days of absence have been deducted, while overtime / additional hours worked are included. All employees working part-time at Finanstilsynet did so at their own volition. Employees that are not permanently employed are either temporarily employed or paid by the hour (students and pensioners).

Table 1: No. of FTEs as at 31 December 2021

Source: SAP

Department	Contracted FTEs	FTEs worked
Administration	29.0	27.6
Banking and Insurance Supervision	94.0	91.5
Digitalisation and Analysis	70.1	67.7
Capital Market Supervision	96.0	95.0
Communications	8.0	7.7
Director General and his staff	4.4	4.6
Total	301.5	294.0

Table 2: Main figures from the annual accounts

	2020	2021
No. of FTEs worked	292	294
Overall allocation (items 01–99)	NOK 467,639,000	NOK 467,446,000
Utilisation ratio, items 01–29	97.5%	96.9%
Disbursement to operations	NOK 449,131,619	NOK 448,068,709
Salaries as a share of operating expenses	75.2%	75.9%
Salary expenses per FTE	NOK 1,156,734	NOK 1,156,568

'Salary expenses per FTE' is the sum total of salary, employer's national insurance contributions, pension expenses and other payments, such as social benefits and personal insurance. Before the sum is divided by the number of FTEs, any refunds relating to salaries are deducted. See also chapter VI Annual accounts, note 2: Disbursements to salaries on page 52.

Age distribution

Chart 1: Age distribution at Finanstilsynet

Source: Finanstilsynet/SAP

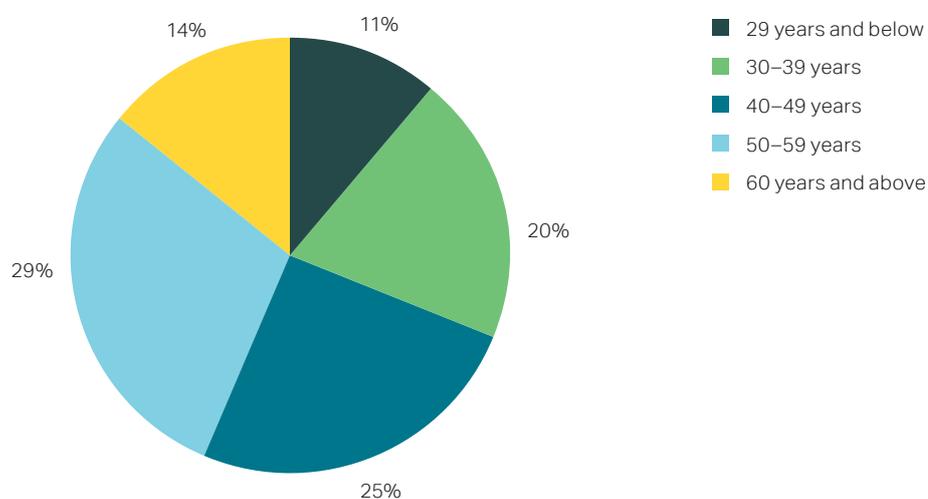


Table 3: Age distribution by department (per cent)

Source: SAP

Department	29 years and below	30-39 years	40-49 years	50-59 years	60 years and above
Administration	12	22	19	25	22
Banking and Insurance Supervision	10	24	18	29	18
Digitalisation and Analysis	12	21	21	33	12
Capital Market Supervision	11	18	38	25	8
Communications	-	-	25	50	25
Director General and his staff	-	-	-	50	50
Overall age distribution at Finanstilsynet	11	20	25	29	14

The chart shows the age distribution of Finanstilsynet's employees. The figures include permanent staff, temporary staff, persons on fixed-term employment contracts and persons paid by the hour – regardless of FTE percentage.

Gender distribution

Chart 2: Gender distribution at Finanstilsynet

Source: Finanstilsynet/SAP

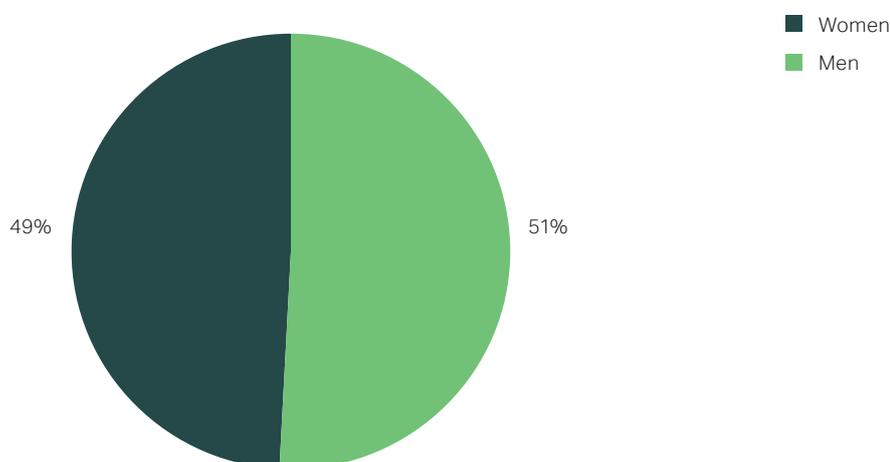


Table 4: Gender distribution by department (per cent)

Source: SAP

Department	Women	Men
Administration	81	19
Banking and Insurance Supervision	51	49
Digitalisation and Analysis	36	64
Capital Market Supervision	47	53
Communications	38	62
Director General and his staff	50	50
Overall gender distribution at Finanstilsynet	49	51

Table 5: Gender distribution at Finanstilsynet – overall and by department

Source: SAP as at 31 December 2021

Department	All employees		Temporary staff		Persons paid by the hour (students and pensioners)	
	Women	Men	Women	Men	Women	Men
Administration	26	6	1	0	1	0
Banking and Insurance Supervision	50	49	1	1	4	1
Digitalisation and Analysis	27	48	1	2	4	1
Capital Market Supervision	51	57	0	1	7	2
Communications	3	5	0	0	0	0
Director General and his staff	2	2	0	0	0	0
Total for Finanstilsynet	159	167	3	4	16	4

Equality and diversity

Overall, there is an equal gender distribution at Finanstilsynet. There is a majority of women in senior management positions (Deputy Director Generals). Among case officers, there are more men, while there is a majority of women among administrative staff. The gender distribution at Finanstilsynet was 51 per cent men and 49 per cent women as at 31 December 2021. At the end of 2021, the management team, including the Director General, comprised five women and two men. Among the heads of section, there were 55 per cent men and 45 per cent women.

The average salary for women was 94.2 per cent of men's average salary. Finanstilsynet reviewed the differences in salary in 2021, and statistics of salary differences were discussed with the employee representatives in connection with the local salary settlement in autumn 2021. The average parental leave in 2021 was 23.1 weeks for women and 17.7 weeks for men.

Finanstilsynet is committed to promoting diversity, and all qualified candidates are encouraged to apply for vacant positions. In 2020, Finanstilsynet prepared an action plan to raise awareness of the inclusion campaign and efforts to fight discrimination. In 2021, there was an increase in the number of employees with an immigrant background, representing 15 per cent of those hired during the year.

For Finanstilsynet, it is important to ensure that employees whose working capacity is, or will be, reduced can continue to work.

Finanstilsynet has previously prepared a standard attachment to all agreements, 'Corporate social responsibility and code of ethics', that sets out requirements to be met by subcontractors, including a prohibition of any form of discrimination in working life.

Finanstilsynet's intranet pages include whistleblowing procedures explaining how the employees can notify bullying, harassment or censurable conditions. Employees may also report this in employee surveys.

Table 6: Ratio of salary of women to men in 2021

Source: SAP as at 31 December 2021

Job code	Ratio of salary of women to men	Number of women	Number of men
1062 Deputy Director General (excluding the Director General)	96.1%	5	1
1211 Head of Section	97.1%	9	11
1364 Senior Adviser	94.5%	100	124
1434 Adviser	99.8%	20	12
1408 Higher Executive Officer	99.1%	9	10

Other job codes and persons paid by the hour – including students and pensioners – are not included.

Sickness absence

Sickness absence is low at Finanstilsynet, and there was a slight increase in the sickness absence rate from 3.0 per cent in 2020 to 3.1 per cent in 2021. Sickness absence in 2021 was higher for women than for men. For several years, Finanstilsynet's sickness absence target has been maximum 3.5 per cent. This target was thus reached for 2021. With its espousal of the government-sponsored 'IA Agreement' regarding a more inclusive working life, Finanstilsynet attaches importance to following up employees on long-term sick leave and introduces measures against frequent short-term sick leaves if necessary.

During the Covid-19 pandemic, Finanstilsynet has facilitated home office solutions by providing digital and other equipment to make it easier for employees to work from home.

Table 7: Sickness absence by gender

Source: SAP as at 31 December 2021

	Total sickness absence in 2021
Women	4.7%
Men	1.6%
All employees	3.1%

Document processing

The number of incoming and outgoing documents registered declined by 3,692 from 2020 to 2021.

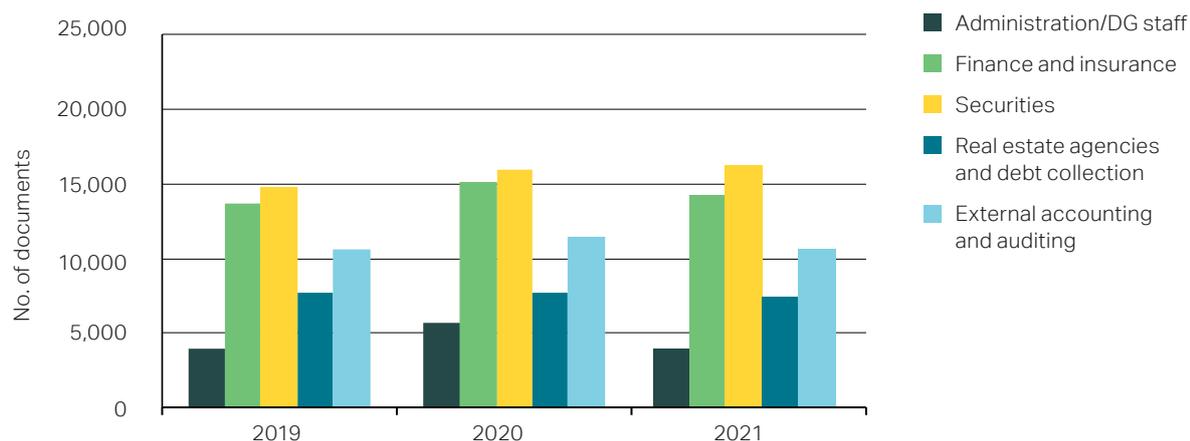
Chart 3 shows the number of documents per supervised sector. There was a reduction for all sectors, with the exception of the securities sector, where there was a slight increase from the previous year. There was a greater increase from 2019 to 2020, partly due to the

Covid-19 pandemic and an increased need for extraordinary reporting.

Document access at Finanstilsynet

Finanstilsynet received a total of 4,229 requests for document access in 2021, an increase from 3,777 in 2020. 2,363 documents were not released since their entire content was barred from publication. Most access requests are received via the public electronic mail journal elnnsyn.no, used by all central government agencies.

Chart 3: Document processing



	2019	2020	2021
Total no. of case documents	50,737	55,985	52,293

Communication

Finanstilsynet's communication effort is directed primarily at entities and sectors under supervision, but also at various public authorities, the media and the general public. Finanstilsynet has an extensive network of contacts and good cooperation with other public authorities in Norway and the EEA countries, and with trade and professional organisations. The authority also meets regularly with the largest entities under supervision. At regular intervals, Finanstilsynet conducts user surveys at supervised entities and annual reputation surveys among members of the general public.

Finanstilsynet supervises a number of sectors regulated by extensive bodies of rules and handles complex issues that require clear and consistent information provision. Norwegian regulations are largely harmonised with regulations in the EU/EEA. There is an increasing need for providing sound guidance to supervised institutions on the interpretation of and compliance with the regulations applying to the various supervised sectors. Finanstilsynet arranged a series of webinars in 2021, providing guidance to institutions on regulations and reporting.

New communication strategy

In 2021, Finanstilsynet adopted a new communication strategy. This strategy shall support the goals of Finanstilsynet's overall strategy. In the communication strategy, Finanstilsynet's website and consumer information are two priority development areas. The strategy sets out five requirements for the communication:

- Finanstilsynet shall be open about its assessments, supervisory practices, data and decisions.
- The communication shall be adapted to the various target groups' prerequisites and needs.
- Finanstilsynet's communication shall be consistent and reliable.
- Finanstilsynet's website shall be adapted to the needs of its users.
- Finanstilsynet shall have good internal communication.

Media coverage

There is generally good media coverage of Finanstilsynet's reports and analyses concerning the various supervised sectors. The half-yearly macro-economic analyses in the Risk Outlook reports and the annual residential mortgage lending survey receive a lot of attention. In spring 2021, the media covered administrative fines imposed by Finanstilsynet on a number of institutions for non-compliance with the AML legislation. New topics that attracted more attention in 2021 were households' stock market exposure, Finanstilsynet's warnings against advice on social media on investment in crypto assets and the reminder from Finanstilsynet that so-called influencers must also comply with the Market Abuse Regulation.

Finanstilsynet receives several hundred requests from the media each year, and the media monitoring showed that Finanstilsynet was mentioned in more than 4,000 media entries in 2021. Finanstilsynet held four press conferences in 2021 that were also broadcast on web TV.

Table 8: Overview of supervised entities as at 31 December 2021

	2017	2018	2019	2020	2021
Banks	126	126	122	118	117
Finance companies	24	28	30	28	29
Mortgage companies	33	33	32	31	31
Foreign branches of Norwegian banks and other credit institutions	18	12	16	16	15
Norwegian branches of foreign banks and credit institutions	39	35	32	34	35
Savings bank foundations and financial foundations	33	33	34	34	39
Payment institutions	19	16	15	30	33
E-money institutions	7	6	6	6	6
Exchange and storage services for virtual currencies ¹			6	10	9
Loan intermediaries	5	11	13	11	12
Account information service providers ²			0	0	1
Life insurers	12	12	11	12	11
Non-life insurers, incl. local fire insurance associations	58	56	55	52	51
Local marine insurance associations	6	5	5	5	5
Norwegian insurers' branches abroad	13	8	15	14	14
Foreign insurers' branches in Norway	29	28	29	30	32
Insurance intermediaries ³	107	101	112	107	111
Private pension funds	47	50	50	49	48
Municipal pension funds	37	37	37	35	34
Defined-contribution pension providers	1	1	1	1	1
Pension funds	1	1	1	1	1
Holding companies	13	15	15	11	11
Investment firms	106	96	101	97	95
Norwegian branches of foreign investment firms	19	22	23	16	18
Fund management companies	29	29	29	29	29
Alternative investment fund managers (AIFMs)	37	40	40	47	50
Registered alternative investment fund managers (AIFMs)	110	107	126	154	184
Central counterparties (previously called clearing houses) ⁴	-	-	-	-	-
Central securities depositories	1	1	1	1	1
Market operators, incl. stock exchanges	4	4	4	4	4
Financial benchmark administrators ⁵	1	1	1	1	6
Auditors	7,807	7,933	8,128	8,365	8,417
Audit firms	447	447	458	461	458
External accountants	11,350	11,606	11,626	11,852	12,093
External accounting firms	2,827	2,772	2,715	2,728	2,779
Real estate agencies	510	506	504	527	537
Lawyers' practices that include estate agency	1,160	1,056	951	880	853
Debt collection agencies	99	101	93	90	81
Debt purchase businesses	7	8	4	5	5
Debt information undertakings ⁶			3	3	3

¹ New category of entities under supervision from 2019.

² New category of entities under supervision from 2019.

³ Insurance agent firms that distribute insurances exclusively for insurers with offices in Norway are not included in this overview, nor are entities engaged in accessory insurance agent business.

⁴ After an amendment of 1 July 2017 to the Securities Trading Act and the introduction of the European Market Infrastructure Regulation (EMIR) from the same date, foreign central counterparties are no longer supervised by Finanstilsynet. Central counterparties can nonetheless continue to operate in Norway under an EMIR licence granted by their own home country authority.

⁵ New category of entities under supervision from 2017.

⁶ New category of entities under supervision from 2019.

At year-end 2021, Finanstilsynet also oversaw the financial reporting of 288 listed companies and supervised 434 mutual funds.

Table 9: Number of on-site inspections by type of institution – incl. IT inspections

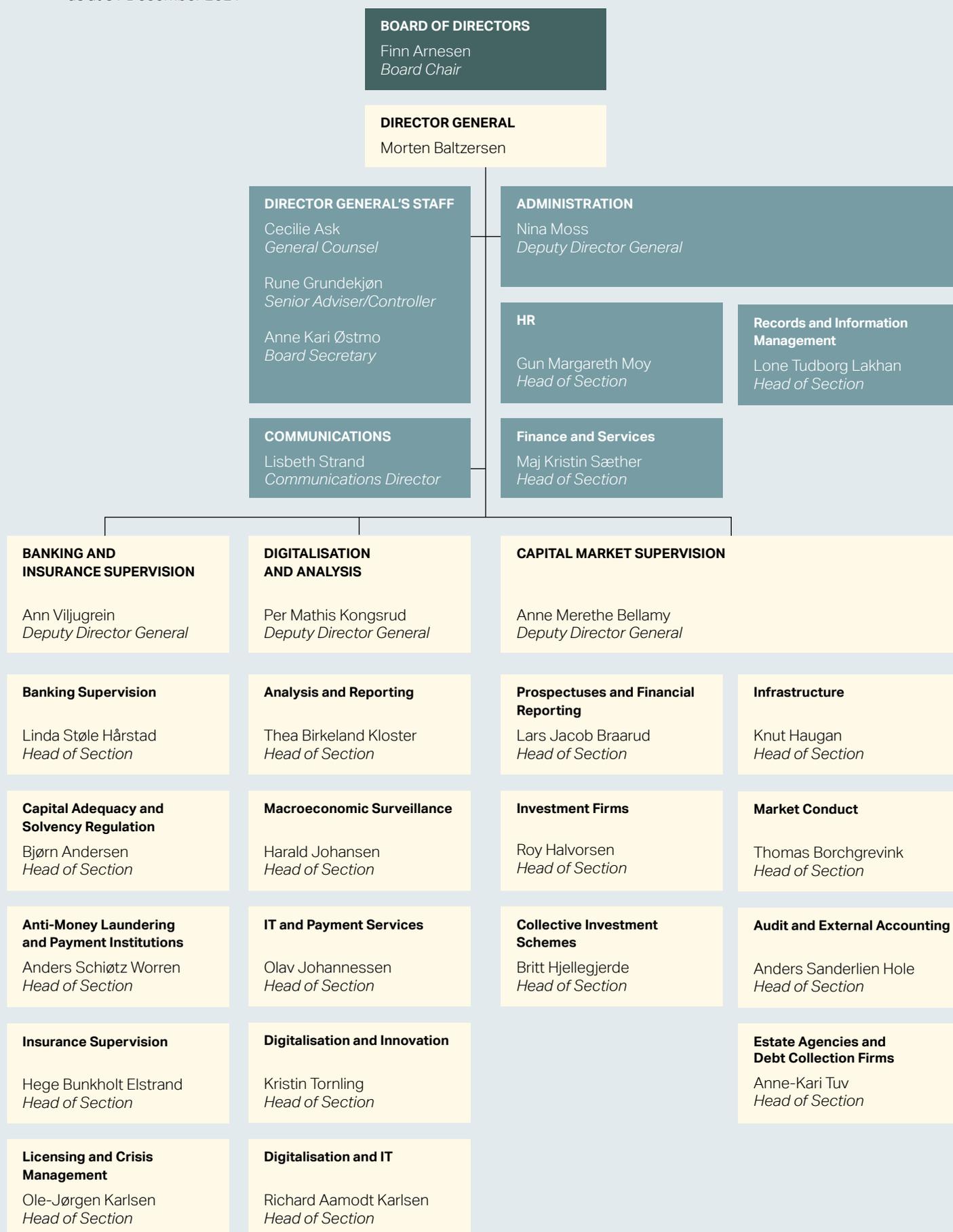
	2017	2018	2019	2020	2021
Banking and finance	42	35	64	35	31
Payment institutions and e-money institutions	–	2	2	0	3
Life insurers	7	4	3	2	3
Non-life insurers	9	6	4	6	6
Insurance intermediaries	5	1	3	1	2
Pension undertakings	3	1	4	2	3
Investment firms	12	14	13	8	17
Fund management companies, AIF managers and depositaries	–	2	3	4	5
Infrastructure undertakings and trading venues	3	4	4	1	2
Audit firms	41	16	13	19	22
External accountants	57	63	47	28	25
Real estate agencies	25	21	16	12	15
Debt collection agencies	6	4	0	6	5
Debt information undertakings ¹			0	0	3
Exchange and storage services for virtual currencies ²			0	4	2

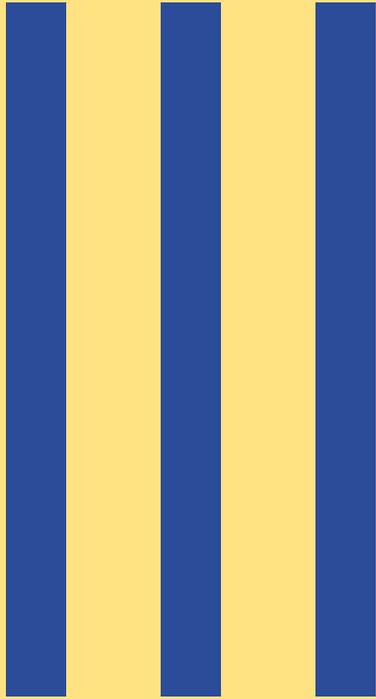
¹ New category of entities under supervision from 2019.

² New category of entities under supervision from 2019.

Finanstilsynet's organisation

as at 31 December 2021





THE YEAR'S ACTIVITIES AND RESULTS

THE YEAR'S ACTIVITIES AND RESULTS

The pandemic continued to have an impact on Finanstilsynet's operations in 2021. The negative effects on economic activity and the considerable uncertainty still entailed a high risk of losses for financial institutions. It was therefore important to follow up the institutions' financial soundness and liquidity.

Finanstilsynet has been in close contact with the Ministry of Finance, Norges Bank and other government agencies during the pandemic. In 2021, Finanstilsynet reported frequently on the situation in the markets and the handling of the Covid-19 pandemic to the Ministry of Finance and other government authorities.

Finanstilsynet collaborates with other authorities both globally and within the EEA on the supervision of the financial markets and financial institutions. There was ongoing cooperation with the European Supervisory Authorities for the banking, insurance and securities sectors (EBA, EIOPA and ESMA) in 2021, with frequent digital meetings to coordinate joint measures and follow-up of the institutions. The European Systemic Risk Board (ESRB) and the supervisory colleges have also held frequent meetings.

An important aim of cross-border supervisory cooperation is to identify risk factors present in the institutions and developments in the international financial market at an early stage. The supervisory cooperation also enables the implementation of coordinated measures to mitigate risk and handle crises. This has been very important in responding to the financial market situation during the Covid-19 crisis. Details on international initiatives in 2021 can be found in the report *International cooperation*, which is published on Finanstilsynet's website.

See also detailed reports on the individual supervised sectors at finansstilsynet.no.

Reporting of goal achievement

Finanstilsynet's social mission and main goal are to promote financial stability and well-functioning markets. The strategy for 2019-2022 sets out six operational strategic goals. Goal achievement is reported according to these operational goals.

The plan of operations and the performance targets for 2021 were adopted during the Covid-19 pandemic, at a time when future prospects were uncertain and the pandemic was assumed to be over in the course of 2021. The prospects of reaching the performance targets were quite uncertain during that period, and the persistence of the Covid-19 pandemic and continued containment measures required repeated shifts in priorities during the year. As the pandemic has progressed, Finanstilsynet has had to adjust its plans and reprioritise activities in order to address the consequences for the financial sector and Finanstilsynet's own activities while carrying out planned and ongoing supervisory activities to the extent possible.

Owing to the containment measures implemented at national and municipal level, it was not possible to conduct on-site inspections as planned, in spite of good digital tools and a low sickness absence rate. There was

thus a decline in inspection activity in 2021. In addition, a number of individual cases and investigations have required more resources than expected. Measures relating to the Covid-19 pandemic and the employees' job situation have also resulted in a shift in the prioritisation of development tasks.

In addition to pursuing its supervisory tasks, Finanstilsynet has spent extensive resources on analyses and regulatory work for the Ministry of Finance.

The Ministry of Finance has delegated competence to Finanstilsynet for the implementation of Commission Delegated Regulations (level 2 regulations), which are many in number. These are also resource-demanding tasks that must be undertaken at the expense of supervisory tasks.

Operational goal 1 Financially sound and well-capitalised financial institutions

Financially sound and well-capitalised financial institutions are a prerequisite for the stability of the financial system, enabling institutions to meet their obligations to their customers and maintain vital functions in society. Finanstilsynet assesses the risk of instability in the financial system and uses instruments to reduce systemic risk based on information gained from the supervision of individual institutions and from macroeconomic surveillance. Through licensing requirements, capital and liquidity requirements and ongoing supervision, Finanstilsynet plays its part in ensuring that institutions are financially sound and have robust financing, fit and proper management and satisfactory risk management and corporate governance. In addition, Finanstilsynet advises the political authorities on capital adequacy and liquidity requirements and other measures that help reduce risk in the financial system.

Finanstilsynet is keeping a close watch on the financial institutions' liquidity situation, including how they meet the minimum liquidity buffer requirement and other liquidity and financing indicators. The institutions' own assessments of liquidity and funding risk are also reviewed in connection with the supervisory assessment of risk and capital needs (SREP) and at on-site inspections.

Finanstilsynet regularly prepares analyses of the capital and liquidity situation of banks and mortgage companies, and of the financial performance of finance companies, mortgage companies, individual banks and the banking sector as a whole. Public versions of the analyses are available on Finanstilsynet's website.

After a significant weakening of banks' profits in 2020, largely as a result of higher loan losses and lower net interest income after the outbreak of the pandemic, banks' profitability improved in 2021. The rise in profits was mainly a result of low loan losses, reflecting sizeable reversals of impairment losses in some of the largest banks. One bank facing challenges before the pandemic was placed under public administration in June 2021. At year-end 2021, all the banks met current capital requirements.

The Covid-19 pandemic has had a limited negative effect on profits for insurers and pension institutions, which all had satisfactory solvency ratios.

In Finanstilsynet's view, the measures and activities carried out by the authority in 2021 have promoted sound and well-capitalised financial institutions. Finanstilsynet took the following actions during the year:

- advised the Ministry of Finance on which financial institutions are to be defined as systemically important in Norway
- conducted inspections to assess institutions' financial soundness, liquidity and risk management, which included an assessment of credit practices and impairment losses. (Due to the Covid-19 pandemic, most on-site inspections took place on digital platforms.)
- issued a circular on banks' models for calculating capital requirements (IRB models) that sets out Finanstilsynet's expectations regarding banks' use of the IRB approach
- reviewed and evaluated the models of three banks that use internal IRB models (carried out inspections of the banks' internal models for calculating capital requirements for credit risk)
- worked on a new and digital analysis tool for risk assessment of banks
- carried out supervisory review and evaluation processes (SREP) and made Pillar 2 decisions for two institutions
- sent preliminary SREP reviews to 24 institutions and prepared preliminary SREP reviews that were completed in January and February 2022 of an additional 11 institutions

¹ Finanstilsynet sets individual capital requirements for the institutions (Pillar 2 requirements). The Pillar 2 requirements cover risks that are not, or are only partially, covered under the Pillar 1 regulatory requirements.

- helped carry out the European Banking Authority's (EBA) stress test of 50 European banks, including DNB Bank ASA
- helped carry out the European Insurance and Occupational Pensions Authority's (EIOPA) stress test of 44 European insurance groups, including Gjensidige Forsikring ASA, KLP and Storebrand ASA
- reviewed insurers' solvency reporting under Solvency II as well as their own risk and solvency assessment (ORSA)
- carried out three on-site inspections at life insurers and three inspections at pension undertakings (two pension funds and one defined-contribution pension undertaking)
- carried out six inspections at non-life insurers, which included following up internal models for solvency capital calculations at two of the insurers
- overseen the liquidation of the insurance operations of Insr Insurance Group ASA
- issued a consultation document on how the measurement of assets at amortised cost in insurers' policyholders' accounts can be regulated, taking the accounting rules into consideration

Supervision of sustainability and climate risk in supervised institutions entails that climate risk has been incorporated as a risk area in the various supervisory modules, and sustainability risk was on the agenda at all ordinary inspections at banks and most other institutions in 2021. See account on page 36 and the thematic report on Finanstilsynet's website.

The follow-up of Optin Bank before it was placed under public administration in June 2021 required extensive resources.

Finanstilsynet was unable to meet its plans to finalise SREP reviews for a number of banks by the end of the year. New production solutions and processes proved to be more challenging to put into place and were hampered by the pandemic. In addition, SREP reviews for subsidiaries of foreign institutions were delayed due to the fact that joint processes under the auspices of supervisory authorities in other countries took longer than planned. A number of SREP reviews that were close to completion at year-end 2021, were completed in January and February 2022.

Governance indicators	Performance targets 2021 (planned figures)	2021 results (completed)	2020 results
Inspections at banks, mortgage companies and finance companies			
a) ordinary on-site inspections	16	16 (incl. 2 follow-up inspections oil/offshore)	21
b) off-site inspections	2	0	0
c) IRB inspections	6, of which 2 incl. in a)	3, of which 2 incl. in a)	4
Completed SREP reviews (assessments of risk and capital needs)	61	2 completed SREP reviews 24 preliminary SREP reviews	17
Inspections at insurers and pension undertakings:			
a) ordinary on-site inspections	17–21	12 (3 at life insurers 2 at pension funds 1 at a defined-contribution pension undertaking 6 at non-life insurers)	11
b) off-site inspections	7–10	9 (6 at mutual fire insurers and 3 at non-life insurers (agent distribution))	1
c) supervision of institutions' models for calculating solvency capital requirements	1 incl. in a)	1 incl. in a)	This was not a governance indicator in 2020.

Operational goal 2 Robust infrastructure

A robust financial infrastructure is crucial to satisfactory systems for payments, trading, pricing and settlement in the financial market. Infrastructure failure could quickly result in an extensive collapse of critical services and thus have serious consequences for society. Low risk of systemic failure and a high degree of preparedness to enable rapid recovery in the event of failure are therefore of crucial importance. Through licensing requirements and the supervision of financial institutions, investment firms and infrastructure entities, Finanstilsynet contributes to ensuring that the institutions maintain satisfactory management and control of ICT risk and other operational risks.

The Covid-19 pandemic triggered a sharp fall in international stock markets in March 2020. Extensive fiscal and monetary policy measures to mitigate the effects of the pandemic helped ensure a quick market recovery. At the start of 2022, stock market indices in most markets were significantly higher than prior to the pandemic.

During the Covid-19 pandemic, Finanstilsynet has focused increased attention on the market infrastructure and the heightened risk resulting from the pandemic to both the infrastructure and financial market participants. As the situation stabilised, Finanstilsynet's supervision returned to normal levels. So far, experience shows that infrastructure entities in the securities area proved to be resilient enough to weather the stressed situation caused by the pandemic.

Monitoring of potential threats to the institutions' IT systems has been a priority, and there has been ongoing cooperation with various government agencies to ensure the security of the financial infrastructure.

The Norwegian financial infrastructure is robust. Finanstilsynet believes that vulnerabilities in the institutions' defences against cybercrime and in their IT operations are the two most important threats associated with the institutions' use of IT, although the risk of information leaks is also a key threat.

Finanstilsynet did not observe particularly serious instances of non-conformance in the operation of the payment systems in 2021, but problems with the BankID app and code devices, following the change of operations service provider, resulted in significant instability in a number of users' access to the BankID service towards the end of the year.

At its inspections, Finanstilsynet may uncover breaches of laws and regulations as well as identify vulnerabilities that pose risks of serious incidents in the financial sector. There was an increase in the number of reported ICT incidents in 2021 compared with 2020, but no special irregularities were observed in the operation of the payment systems as a result of the crisis.

Finanstilsynet took the following actions during the year:

- kept a close watch on digitalisation processes and developments in digital vulnerabilities in the financial market
- carried out a number of inspections of institutions' IT operations. Key themes at the 2021 inspections included outsourcing, emergency preparedness, IT infrastructure and security.
- carried out nine inspections at banks and two at payment institutions related to IT infrastructure, security, outsourcing and emergency preparedness
- carried out an inspection of management and control at Vipps
- carried out a thematic inspection of admission processes and securities transactions related to selected issuers admitted to trading on the multi-lateral trading facility Euronext Growth Oslo (formerly called Merkur Market), including IT systems
- carried out a thematic inspection at Norexco ASA
- processed an application from Verdipapirsentralen ASA for a licence pursuant to the new Central Securities Depository Act (implementing the CSDR)
- participated in the supervisory college and the crisis resolution team for Nasdaq Clearing and SIX x-clear
- received the first overall assessment of operational risk and security risk related to payment services from payment service providers (banks and payment institutions)
- carried out a thematic inspection at a selection of banks related to the new 'cash services in store'
- processed around 200 notifications of IT outsourcing. Some of the notifications were from cooperating groups of banks on behalf of several banks.
- followed the development of new financial technology (fintech) in the financial market, provided

guidance to new technology-based players in the financial market and completed work on the project that was included in the second intake to Finanstilsynet's regulatory sandbox for fintechs. See further account on page 37.

- received reports on 20 security incidents and 279 operational incidents
- reported six incidents to the Ministry of Finance
- contributed to revising those part of the 'KIKS' framework (critical infrastructure, critical societal functions) that concerned the financial sector in cooperation with Norges Bank
- prepared and published *Risk and Vulnerability Analysis 2021* on the financial sector's use of information and communication technology (ICT)

In addition to its regular meetings, the Financial Infrastructure Crisis Preparedness Committee (BFI) held a number of meetings to address the Covid-19 situation,

exchanging information on measures and circumstances at the institutions that could cause disruptions to the financial infrastructure or affect financial stability. Particular attention has been paid to institutions and functions that are critical to society.

Regular meetings were held with Nordic Financial CERT (NFCERT) regarding the threat scenario and cooperation on the basis of Finanstilsynet's role as sectoral response body.

In 2021, Finanstilsynet participated in permanent status meetings with the Norwegian Cyber Security Centre (NCSC), where reports on the national digital threat picture are reviewed.

Governance indicators	Performance targets 2021 (planned figures)	2021 results (completed)	2020 results
Inspections of institutions' use of ICT systems and cyber security measures	17 special ICT inspections In addition, ICT will be on the agenda at 14 other inspections in various supervised sectors.	22 inspections: 9 at banks 2 at insurers 3 at payment institutions 1 at an infrastructure entity 2 at audit firms 1 at a fund management company 3 at debt information undertakings	18 inspections: 5 at banks 3 at insurers 4 at investment firms 2 at debt collection agencies 1 at a real estate agency 2 at audit firms 1 at an external accounting firm
ICT incidents that have been followed up	Major incidents will be followed up.	299 ICT incidents: 20 security incidents 279 operational incidents	207 ICT incidents
Inspections at payment institutions	4	1	0
Inspections at infrastructure entities	1 inspection of compliance with the capital requirements	1 inspection of the admission process to Euronext Growth. The inspection report was sent to the Board of Directors on 21 December 2021.	2

Operational goal 3 Investor protection

Reliable and adequate information is needed to ensure that the securities markets contribute to effective allocation and pricing of capital. Finanstilsynet helps ensure that current and periodic information from listed companies is correct and timely, and that their prospectuses are designed in keeping with the prevailing requirements. Finanstilsynet also helps ensure that the preparation and auditing of financial statements is of satisfactory quality. Through its supervision of investment firms and effective and swift enforcement of market conduct rules in the securities market, Finanstilsynet contributes to market discipline and the safeguarding of investors and issuers' interests.

Uncertainty surrounding the pandemic and problems in the goods distribution chain continued to have an impact on the capital markets in 2021. Nevertheless, there was very strong issuance activity on the regulated markets Oslo Børs and Euronext Expand.

Despite all the extraordinary tasks related to the Covid-19 pandemic, Finanstilsynet, through information measures and its ongoing supervision of the securities market and financial reporting, actively promoted strong investor protection during 2021.

Finanstilsynet took the following actions during the year:

- followed up that the players in the securities market, including listed companies, meet relevant reporting obligations and provide adequate and reliable information
- followed up risk in the securities markets through monitoring and analyses
- followed up disclosure and notification requirements in accordance with the Short Selling Regulation, which includes receiving and publishing position notifications
 - 60 cases concerning the mandatory disclosure obligation
 - 52 cases concerning the notification obligation
 - 34 cases concerning the reporting of short sales
- prioritised following up the accounting standards for the presentation of financial statements, impairment of assets, financial instrument and leases
- reviewed the financial reporting of 14 institutions
- published the report from the thematic inspection of ten listed institutions on the use of IFRS 16 *Leases*
- reviewed disclosures related to leases in the annual financial statements for 2020 for around 40 institutions

- prepared a consultation document on the use of IFRS 17 in insurers' financial statements
- surveyed how audit committees fulfil requirements and tasks set out in the Public Limited Liability Companies Act
- published overviews of formal deficiencies in listed companies' annual and half-yearly financial statements
- provided guidance on new regulations requiring that the companies' annual financial statements be prepared in compliance with the European Single Electronic Format (ESEF)
- followed up the review of listed companies' sustainability reporting, cf. page 36
- established a prospectus register to streamline the reporting of approved prospectuses to ESMA and the receipt of passported prospectuses from the other competent prospectus authorities in the EEA
- carried out four inspections at audit firms – two of which were conducted with the involvement of the US Public Company Accounting Oversight Board (PCAOB)
- carried out thematic inspections at selected issuers admitted to trading on Euronext Growth Oslo, including the audit of these companies
- investigated 63 indications of possible audit deficiencies and followed up 31 of these
- concluded the thematic inspection of auditors' compliance with the AML legislation at 11 firms and imposed administrative fines on 10 audit firms, cf. account under operational goal 6
- registered 150 reports and other indications of errors made by external accountants during the execution of their assignments. On the basis of a risk-based approach and available capacity, 25 inspections of external accountants were carried out.

Governance indicators	Performance targets 2021 (planned figures)	2021 results (completed)	2020 results
Cases of non-compliance with the reporting requirement for short sales that have been followed up	Impossible to quantify	34	24
Cases of non-compliance with the notification requirement for securities trading that have been followed up	Impossible to quantify	52	42
Financial statements reviewed	50	14	Reviewed 104 financial statements, including 30 interim financial statements Initiated 47 supervisory cases, including 22 cases concerning the contents of annual reports
Vetted prospectuses	121 This is an estimate. The number depends on the number of prospec- tuses for which approval is sought, which is beyond Finanstilsynet's control.	107	118
Inspections at audit firms	40 (30 on-site and 10 off-site inspections)	31 (22 on-site and 9 off-site inspections)	19 on-site and 23 off-site inspections (and 11 thematic inspections of AML measures)
Inspections at external accountants	40 (25 on-site and 15 off-site inspections)	40 (25 on-site and 15 off-site inspections)	28 on-site and 26 off-site inspections (and 11 thematic inspections of AML measures)

Operational goal 4 Consumer protection

Good consumer protection is important for the individual consumer and for maintaining confidence in financial market participants. Service providers shall safeguard customer interests, paying due heed to the customers' capacity for understanding the product characteristics. Finanstilsynet safeguards consumer protection by supervising that the provision and brokerage of loans, insurance and pension products, mutual fund products, other financial instruments and property take place in an acceptable manner. The supervision of debt collection agencies also strengthens consumer protection. Monitoring compliance with capital adequacy and prudential requirements helps create assurance that product providers meet their obligations to their customers.

Consumers are dependent on good information, and Finanstilsynet responded to a large number of enquiries from consumers in 2021.

The requirements of the law as regards investor protection and conflicts of interest are of key importance in the supervision of investment firms. The firms shall act honestly, fairly and professionally in accordance with the best interests of their clients and ensure that the integrity of the market is attended to in the best possible manner. Legislation and supervision also aim to encourage the firms to maintain sufficient internal controls and to promote an informed attitude to risk. In the supervision of alternative investment fund managers (AIF managers), priority is given to managers of funds targeting retail investors.

In order to safeguard consumer protection, Finanstilsynet took the following actions in 2021:

- prepared regular analyses of developments in consumer debt. Public versions of the analyses are available on Finanstilsynet's website.
- carried out inspections at three debt information undertakings. The inspections addressed the firms' ICT and risk management systems, focusing on how they ensure that personal data do not go astray and that the registered debt information is correct and available to those in need of such information.
- prepared a consultation document with draft regulations to the Insurance Intermediation Act and the Financial Institutions Act
- prepared a consultation document on the need for stricter regulation of credit card rewards on the basis that consumers should be able to make good and well-founded decisions when taking up debt
- prepared a consultation document on charges for cross-border payments

- carried out an inspection at a bank specialising in refinancing of consumer loans, and sent identical letters to several of the other banks in this market to remind them of key provisions on customer protection
- analysed pricing in the defined-contribution pension market for employers and employees up to the introduction of the individual pension account, and how the institutions have adjusted their prices in consequence of the introduction of the individual pension account
- assessed whether insurers may operate or own entities engaged in business unrelated to insurance
- carried out one inspection at an insurance agent and one at an insurance intermediary to assess their management and control systems
- initiated two extensive thematic inspections related to customer classification and product governance at 16 investment firms and completed six inspections initiated in 2020
- worked on a thematic inspection of eight investment firms acting as advisors in admission processes for trading on Euronext Growth Oslo
- reviewed all distribution channels and the products sold by investment firms in 2020
- participated in a Common Supervisory Action (CSA) under the auspices of the European Securities and Markets Authority (ESMA) on investment firms' compliance with the EEA product governance requirements
- initiated a follow-up inspection of investment firms' fee models and receipt of inducements
- participated in a CSA of costs and fees of UCITS funds under the auspices of ESMA. The main objective of the CSA was to survey whether the investor documentation clearly states the costs and fees incurred and whether funds are charged

with undue costs. The Norwegian survey encompassed a total of 60 mutual funds managed by six management companies.

- initiated an extensive survey of how changes in practices concerning inducements affect pricing models and what this means to management companies, distributors and end customers
- carried out an on-site inspection at AIF Depository AS of the firm's compliance with the requirements for depositories for alternative investment funds
- carried out an on-site inspection at three management companies
- processed five applications for the marketing of alternative investment funds to professional investors established outside the EEA
- revoked nine authorisations to market alternative investment funds in Norway

- carried out inspections at 15 real estate agencies. Management and control of client funds, risk management and internal control were key review areas. Nine of the inspections included compliance with the AML legislation. See also the account under operational goal 6.
- conducted a survey in connection with the control of transactions on real estate agencies' client accounts
- carried out inspections at five debt collection agencies. Two of these were limited inspections based on notifications. Control of the handling of client funds was a key element at the inspections, as well as a review of compliance with the Regulations on Risk Management and Internal Control.
- initiated a thematic inspection to review debt collection agencies' procedures for following up debtors by telephone

Governance indicators	Performance targets 2021 (planned figures)	2021 results (completed)	2020 results
Inspections at financial institutions focusing on consumer protection	2	1	0
Inspections at investment firms	12 (plus complete 7 inspections initiated in 2020)	17	8
Inspections at fund management companies, including AIF managers	6–8	5	4
Inspections at insurance intermediaries	2	2	1
Inspections at real estate agencies	30 (10 full-scale inspections, 10 thematic AML/CFT inspections and some 10 inspections to follow up notifications)	15	11
Inspections at debt collection agencies	15 (3 full-scale inspections, 2 thematic inspections and some 10 inspections to follow up notifications)	6	5
Inspections at debt information undertakings	3	3	0

Operational goal 5 Effective crisis management

Preparedness to deal with critical situations is important in ensuring confidence in the financial system. Finanstilsynet maintains preparedness to deal with crises in both individual institutions and markets in order to mitigate the risk of wide-reaching, long-lasting harmful effects for the financial sector and customers. The requirement that banks and investment firms must prepare recovery plans and that Finanstilsynet must prepare resolution plans will help ensure that critical situations are handled in a satisfactory manner. Preparedness to quickly provide relevant information to the general public is also a key element of maintaining emergency preparedness.

Throughout 2021, Finanstilsynet continued to cooperate closely with the European Supervisory Authorities on how the consequences of the pandemic could be handled and on how the institutions' general emergency preparedness could be followed up. Finanstilsynet also cooperated with Norges Bank and was in frequent contact with the Ministry of Finance to address emergency preparedness in 2021.

In order to promote strong emergency preparedness and effective crisis management, Finanstilsynet took the following actions in 2021:

- refined methodologies and templates for resolution plans and set Minimum Requirements for Own Funds and Eligible Liabilities (MREL)
- completed 13 resolution plans and 15 MREL decisions. Due to ongoing acquisition/merger plans, no new resolution plans were established for Sbanken and Bank Norwegian.
- assessed, and given written feedback on, the recovery plans of DNB and 14 other banks
- participated in the supervisory colleges' review of the recovery plans of Danske Bank, Handelsbanken, Nordea and Santander

- specified requirements for institutions' reporting, which form the basis for Finanstilsynet's preparation of resolution plans
- worked on a framework for management information systems, valuations, financial infrastructure, criteria for critical functions and templates for resolution documents
- participated in a crisis management exercise with the Ministry of Finance, Norges Bank and the Norwegian Banks' Guarantee Fund
- prepared and oversaw the public administration of Optin Bank ASA
- approved a revised method for calculating contributions to the deposit guarantee fund in 2022
- participated in resolution colleges for six foreign banks with branches or subsidiaries in Norway
- headed the resolution college for DNB
- chaired the Financial Infrastructure Crisis Preparedness Committee (BFI)

Governance indicators	Performance targets 2021 (planned figures)	2021 results (completed)	2020 results
Resolution plans established by Finanstilsynet	15	13	14
Recovery plans assessed by Finanstilsynet	22	19	34 recovery plans in banks and 10 in investment firms
MREL requirements set	15	15	15

Operational goal 6 Fight against crime

It is up to the financial sector to prevent the exploitation of financial institutions and other market players for criminal purposes. Finanstilsynet oversees that the institutions comply with the obligations set out in the anti-money laundering and counter-terrorist financing legislation. Illegal activity contributes to weakening confidence in the financial markets and represents unfair competition for firms operating in compliance with the regulations. Supervisory efforts help prevent illegal activities, and offences uncovered in supervised institutions are followed up. Suspicion of serious financial crime is reported to the police. Finanstilsynet's work to ensure satisfactory auditing and accounting also helps prevent and uncover financial crime.

The institutions that are subject to the anti-money laundering (AML) legislation play an important role in preventing and uncovering money laundering and terrorist financing. In recent years, shortcomings have been revealed in a number of large international banks' compliance with the AML legislation. Just like the other European supervisory authorities, Finanstilsynet has intensified its efforts in this field.

Supervisory experience shows that a number of institutions have intensified their efforts against money laundering and terrorist financing, but inspections have also revealed many instances of inadequate compliance with the AML legislation. Improvement areas pointed out by Finanstilsynet in a number of supervised sectors include poor understanding of risk, lack of capacity to monitor risks and inadequate AML procedures.

In 2021, administrative fines were levied on three banks, ten audit firms, nine external accountants and four real estate agencies due to non-compliance with the AML legislation. Since 2020, one bank has been paying coercive fines due to failure to fulfil an order for rectification.

In 2021, the EBA initiated an evaluation of Finanstilsynet's AML/CFT inspections at banks. Documentation was collected and a virtual visit made in autumn 2021, and a report is expected to be completed in the first half of 2022. In 2021–2022, Finanstilsynet is also part of an IMF project that assesses AML/CTF inspections in the Nordic and Baltic countries. A final report is expected in 2022.

In order to supervise compliance with the AML legislation, Finanstilsynet took the following actions in 2021:

- followed up and imposed administrative fines for non-compliance with the AML legislation
- carried out four inspections of banks' AML/CFT measures
- carried out an off-site inspection of the internal audit of 46 banks related to compliance with the AML legislation

- completed off-site AML/CFT inspections at 54 banks
- followed up AML procedures at most ordinary inspections at insurers and insurance intermediaries
- followed up the review of 215 fund managers' compliance with key requirements of the AML legislation (the review was initiated in 2020)
- established annual reporting from investment firms to Finanstilsynet that will help identify risk areas for money laundering and terrorist financing
- reviewed compliance with the AML legislation at fund management companies and managers of alternative investment funds
- completed a thematic AML/CTF inspection at audit firms
- completed a thematic AML/CTF inspection at external accountants
- carried out inspections of compliance with the AML legislation at nine real estate agencies (six of which were thematic AML/CTF inspections) and imposed administrative fines on four agencies
- participated in international cooperation on supervision of AML measures in the financial sector, including several supervisory colleges following up individual institutions
- made a decision to revoke the licences of three payment institutions offering money transfer services
- carried out an inspection of a registered provider of virtual currency services

Illegal activity weakens confidence in the financial markets and undermines the operations of firms that comply with the regulations. Although it has limited resources to follow up illegal activities, Finanstilsynet took the following actions in 2021:

- investigated 15 firms that marketed investment services without the required licence. (One of the institutions was ordered to stop illegal investment

services. The other institutions have received individual warnings, and/or market warnings against them have been published on Finanstilsynet's website.)

- published seven warnings against institutions offering investment services in Norway without the required licence
- considered a number of individual cases concerning illegal vehicles that must be regarded as alternative investment funds

- reported one case of illegal external accounting activity to the police

Finanstilsynet has cooperated with other agencies on several cases, especially with Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime), a number of police districts, Norwegian Customs, the National Criminal Investigation Service and the Norwegian Tax Administration, as well as the agencies participating in the Contact Forum and the Payment Services Forum.

Governance indicators	Performance targets 2021 (planned figures)	2021 results (completed)	2020 results
AML/CFT inspections at banks	8 on-site inspections at banks in the 'high and 'medium/high' risk categories. + 3 off-site inspections at 90 banks	5 on-site inspections at banks 2 off-site inspections at a total of 54 banks	7
AML/CTF inspections at other types of obliged entities (Several of these inspections are also included under other operational goals.)	Approx. 80 inspections: 10 at real estate agencies 4 at investment firms (2 on-site inspections + 2 thematic inspections) 1 at an insurer 4 at payment institutions 4 at agents of foreign payment institutions 2 at providers of virtual currency services 30 at audit firms 25 at external accountants	80 inspections: 10 at real estate agencies (incl. 1 thematic inspection) 2 at payment institutions 1 at a provider of virtual currency services 0 at investment firms 1 AML/CFT inspection at an insurer + money laundering was on the agenda at 10 inspections (6 at non-life insurers + 2 at life insurers + 2 at insurance intermediaries) 31 at audit firms 25 at external accounting firms	49 inspections: 6 at insurers 1 at an insurance agent 5 at investment firms 11 at real estate agencies 11 thematic inspections at auditors 11 thematic inspections at external accountants 4 at exchange offices
Number of indications of illegal activities that have been followed up	Impossible to quantify	2 cases concerning virtual currencies 3 cases concerning payment institutions 25 cases of illegal provision of investment services 11 cases concerning estate agency 1 case concerning debt collection	Followed up indications of illegal activities at 11 entities in the securities area
Number of investigated suspicious cases related to market conduct	Impossible to quantify	302	191

Other activities

Climate risk and sustainability / green finance

In accordance with the letter of allocation for 2021, Finanstilsynet must adjust its follow-up of financial institutions to the new risks and vulnerabilities that are identified, taking account of how these are addressed by the institutions. Furthermore, Finanstilsynet should help spread knowledge about climate risk in the financial industry and develop suitable supervisory tools to oversee how the institutions manage environmental and climate risk.

The transition to a low-emission society will require adjustments in the Norwegian economy, which may have a significant impact on banks' risk of losses and profitability. In the Risk Outlook report from December 2021, Finanstilsynet analysed possible implications for Norwegian banks on the basis of two different scenarios for the transition to a low-emission society. In the first scenario, the transition to a low-emission society starts immediately and takes place with no major costs to the real economy. In the alternative scenario, the restructuring starts later and is characterised by a sudden and disorderly transition both in Norway and internationally. Finanstilsynet's calculations indicate that in such a scenario, banks could suffer significant losses on corporate loans. Finanstilsynet participates in international cooperation in this field, particularly in EBA, ESMA and EIOPA and through the work of the Network for Greening the Financial System (NGFS) and the work on regulatory development in the EU.

Finanstilsynet continued to place emphasis on sustainability and climate risk in its supervisory activity in 2021. Finanstilsynet included follow-up of sustainability risk, including climate risk, in supervisory modules for the various risk areas. Sustainability risk was on the agenda at all ordinary inspections at banks and credit institutions in 2021, as well as at inspections at insurers and pension funds. See a further account below.

Finanstilsynet carried out a survey of fund managers' work on sustainability. The survey covered the assessments underlying the firms' management activities and the information provided about environmental, social and governance factors. The results were published in a report in April 2021. The survey showed that there are major differences in how far the individual fund managers have come in their sustainability efforts.

Finanstilsynet has followed up its survey of listed companies' sustainability reporting, published in autumn 2020. Several companies reported that they had identified assets that may be of reduced or no value before the

end of their original expected life as a result of risks associated with climate change (stranded assets). Finanstilsynet has followed up the companies concerned by requesting further information on the assessments underlying their valuation of such assets.

Key findings from the survey:

- Few companies state that they take climate risk into account in their valuation of assets.
- Few companies state that they have or may end up with stranded assets, and no information about such assets has been provided in the annual financial statements of companies stating that they have such assets.
- Most of the companies ensure consistency between the information provided in their sustainability reporting and their annual financial statements. This is done by manually reviewing the annual financial statements.

Over the past couple of years, Finanstilsynet has held meetings with a total of 15 non-life insurers to identify how climate change may affect non-life insurers' risk and how they manage the risk.

In addition, Finanstilsynet

- included climate risk on the agenda at all inspections at insurers in 2021
- held meetings on climate risk with three ordinary non-life insurers, three non-life insurers that are part of a group and three marine insurers
- included expectations regarding the insurers' handling of climate risk, both physical risk and transition risk, in Finanstilsynet's tool (risk module) for evaluating the insurers' management and control

The insurers included an assessment of climate risk in their own risk and solvency assessment (ORSA), which was sent to Finanstilsynet.

In a report on insurers' climate risk published in March 2021, Finanstilsynet focuses on the insurers' climate risk exposure through securities market investments. Calculations show that Norwegian insurers generally have well-diversified securities portfolios. The share of climate-sensitive investments in Norwegian life and non-life insurers' equity and bond portfolios is on a par with the average for European insurers. A significant proportion of Norwegian insurers' climate-sensitive investments are within renewable energy. However, the exposure of some Norwegian insurers is considerably higher than average.

Work on the regulatory sandbox

In accordance with the letter of allocation from the Ministry of Finance, Finanstilsynet shall operate a regulatory sandbox for fintechs as part of a broader information and guidance initiative. Finanstilsynet shall take part in international cooperation in this area and look to the experience gained by the supervisory authorities of other countries from facilitating the development of fintechs.

Final reports from the first two projects were published on Finanstilsynet's website in January 2021. In March 2021, a project from Abendum AS was admitted to the sandbox. Abendum is a startup company aiming to develop a solution for blockchain audit evidence. The purpose of participating in the sandbox was to assess the solution in relation to the requirements set in international auditing standards. The project was completed as planned in December 2021, and a final report summarising the project has been published on Finanstilsynet's website.

The purpose of the sandbox is to help innovative firms gain better knowledge of relevant regulations, increase Finanstilsynet's understanding of new technological solutions in the financial market and increase technological innovation and the number of new market entrants. Participants in the sandbox may be existing financial institutions, new entrants who wish to offer financial services, or players outside the financial industry who offer services to supervised institutions. In order to participate in the sandbox, the service and the firm must meet certain set criteria.

In 2021, Finanstilsynet continued its cooperation with the regulatory sandboxes of the Norwegian Data Protection Authority and the National Archives of Norway. In addition, Finanstilsynet has been in regular contact with the regulatory sandbox in Denmark, held the opening speech at a seminar in connection with the establishment of the Spanish FSA's regulatory sandbox and attended four meetings of the European Forum for Innovation Facilitators (EFIF).



**MANAGEMENT AND CONTROL
OF FINANSTILSYNET'S OPERATIONS**

MANAGEMENT AND CONTROL OF FINANSTILSYNET'S OPERATIONS

Management structure

Finanstilsynet's Board of Directors, which is appointed by the Ministry of Finance for a four-year term, has overarching responsibility for operations. The Director General, who is appointed for a term of six years with a possible extension of a further six years, is in charge of the day-to-day management.

Finanstilsynet is divided into three supervisory departments and one administration department. Each department is headed by a department director (Deputy Director General). The departments are divided into sections, each headed by a head of section. Legal quality assurance is assigned to the General Counsel in the Director General's staff. A communications unit reporting directly to the Director General is responsible for external and internal communication.

Finanstilsynet's activities are regulated by the Financial Supervision Act. This Act is supplemented by special laws governing the respective supervised sectors. Every four years, Finanstilsynet draws up a strategy for its activities. Along with the letter of allocation from the Ministry of Finance, the strategy forms the basis for the annual plans for these activities. The strategy for 2019–2022 was adopted by the Board of Directors in December 2018. The daily management and the reporting to the Board are based on the annual activity plans.

The letter of allocation is the key governing document in the management dialogue between the Ministry of Finance and Finanstilsynet. At end-April and end-August, Finanstilsynet reports on the activities carried out and on other matters in accordance with the letter of allocation. These reports form part of the basis for the Ministry's evaluation of Finanstilsynet's performance. Finanstilsynet's reporting also includes an annual report. The annual report consists of reports from the supervised sectors, which were published on Finanstilsynet's website in February/March 2022, and a brief annual report presented in accordance with the Regulations on Financial Management in Central Government.

The Board meets each month excluding July to deal with important supervisory matters, such as proposals for new regulations, matters of principle, selected matters on the allocation and revocation of licences, the budget and the annual activity plans. The Board receives regular reports on Finanstilsynet's activities. The Board Chair participated in four meetings with the Ministry of Finance in 2021. In addition, the Ministry of Finance was invited to hold a presentation at a seminar for the Board in the autumn.

Finanstilsynet bases its supervisory activities in all sectors on risk assessments and undertakes annual

risk assessments of its operations. These analyses are endorsed by the Board in connection with its consideration of the activity plan and sent to the Ministry of Finance.

Finanstilsynet is subject to annual audit by the Office of the Auditor General. See chapter VI, Annual accounts.

Operational efficiency and organisational development

Streamlining and digitalisation

For many years, Finanstilsynet has given priority to the development of IT systems to meet increased reporting requirements and to streamline case processing. During the Covid-19 pandemic, it has been a key priority to enable the employees to carry out their work from home in an effective manner.

The migration to Microsoft Office 365 and the introduction of MS Teams were key measures to improve work efficiency throughout the organisation. Good home office solutions have been established.

Networks and equipment at Finanstilsynet's offices were also upgraded, partly to facilitate digital inspections. The roll-out of Teams and the purchase of equipment have made it possible to conduct meetings and 'on-site' inspections via video conferencing, maintain the necessary contact with the supervised institutions and participate in digital international meetings.

In 2021, Finanstilsynet started using more effective solutions for automated extraction, processing and structuring of data for use in inspections at banks. This has given users more flexible access to data. Five sub-processes related to quality assurance of reported data and use of such data to prepare reports have been automated. In addition, large parts of the data processing have been automated. These solutions may provide gains in the form of better (risk-based) selection of institutions for inspection, reduced operational risk and shorter processing time, as well as potential cost savings in the institutions.

The use of known technology such as robotic process automation (RPA) opens up for increased automation of Finanstilsynet's licensing tasks. The process of taking RPA into use is well under way. Finanstilsynet's first robot was put into operation in February 2021 and had handled twelve processes by the end of 2021.

Finanstilsynet aims to improve the processes for data extraction for supervisory purposes and is working to streamline and harmonise its supervisory processes.

Such development work reduces the capacity for case processing in the short term but is expected to result in improvements in the longer term.

Towards the end of 2019, Finanstilsynet adopted a digitalisation strategy that set out goals, principles and plans for digitalisation over the next few years. The digitalisation strategy is based on Finanstilsynet's strategy for 2019–2022. In 2021, Finanstilsynet adopted a strategy for so-called IT sourcing. A key element of this process was to identify the roles and functions that are required to drive digitalisation at Finanstilsynet. The strategy for IT sourcing has been developed on the basis of requirements in the digitalisation circular from the Ministry of Local Government and Modernisation and the 'Digitalisation Strategy for the Public Sector 2019–2025' and describes the principles underlying Finanstilsynet's assessments concerning the purchase of IT services in the market, including cloud services.

New technology facilitates interaction, automation, information management and analysis. New and comprehensive reporting requirements result in large amounts of data that to a greater extent than today can be used in supervisory activities. A modern and flexible IT architecture, good access to data and digital expertise are prerequisites for capitalising on the opportunities offered by digitalisation in the longer term.

In 2021, Finanstilsynet entered into framework agreements on

- the operation and development of its professional systems and registries
- the operation and development of its web solution
- the provision of telephony services

One of the improvement and streamlining measures is to use the 'Python' programming language for automation, data integration and data analysis. In 2021, Finanstilsynet adopted a new solution that has streamlined the process to extract and analyse data.

Finanstilsynet makes extensive use of Altinn for receipt of reports and needs to develop new forms and adjust existing forms on an ongoing basis to reflect changes in regulations and new needs. Significant resources were devoted to developing Altinn forms in 2021, and Finanstilsynet had 114 active Altinn forms at the end of the year. This has simplified and streamlined the processes for both Finanstilsynet and the supervised institutions. In 2020, an Altinn solution was devised for reporting notifiable transactions pursuant to the Market Abuse Regulation, as well as a new Altinn form for use by registered AIF managers. Internal capacity to develop new Altinn 3 apps (forms) was strengthened in 2021.

Finanstilsynet has developed and started using a prospectus register that will streamline the reporting of approved prospectuses to ESMA and the receipt of passported prospectuses from the other competent prospectus authorities in the EEA. Finanstilsynet also

carried out a pilot project to test machine reading of prospectuses.

In cooperation with NCE Finance Innovation, Finanstilsynet carried out a project in the autumn of 2020 for machine-to-machine reporting of exposure data from three banks to Finanstilsynet. Both the banks and Finanstilsynet consider the pilot project a success, and the work continued in 2021.

In order to facilitate the sharing of public data from Finanstilsynet, it was decided to develop machine-readable interfaces (APIs) for two solutions. The public API for Finanstilsynet's Short Sale Register was developed and completed in 2020. An API was also developed for Finanstilsynet's registry and was put into production in early 2021.

In December 2021, the Ministry of Finance established a mandate for a digitalisation project at Finanstilsynet for the period 2022–2026 with a financial limit of NOK 100 million for development and management. The project is organised under five goals which are consistent with Finanstilsynet's digitalisation strategy:

- automation of licensing matters
- digitalisation of supervisory processes
- more efficient reporting and data capture
- better analytical solutions
- increased sharing of data

The purpose is to increase the scope and pace of digitalisation at Finanstilsynet.

Environmental responsibility – the UN's Sustainable Development Goals

In the letter of allocation for 2021, under item 5.8 on the UN's Sustainable Development Goals, the Ministry of Finance asks Finanstilsynet 'to provide an overall description in its annual report of the authority's efforts to help meet the UN's Sustainable Development Goals where this is of particular relevance to the fulfilment of its tasks'.

Finanstilsynet promotes several of the UN's Sustainable Development Goals through its supervisory activities and internal governance processes.

Through regulatory development and supervision of institutions' environmental and climate risk management, Finanstilsynet promotes the UN's Sustainable Development Goal 9 *Industry, Innovation and Infrastructure, Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable [...]*. See chapter III, page 36.

Through supervision of compliance with the AML legislation, Finanstilsynet promotes the UN's Sustainable Development Goal 16 *Peace, Justice and Strong Institutions, Target 16.4 By 2030, significantly reduce illicit financial and arms flows [...]*, and Target 16.a)

Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels [...] to prevent violence and combat terrorism and crime. See chapter III, page 34.

Finanstilsynet promotes the UN's Sustainable Development Goal 5 *Gender Equality* and Sustainable Development Goal 10 *Reduced Inequalities* through its work on gender equality and diversity in its recruitment and wage policies. See chapter II, page 16.

Finanstilsynet promotes the UN's Sustainable Development Goal 12 *Responsible Consumption and Production* in its internal governance processes.

The fact that most of its employees worked from home during long periods in 2021 had some positive effects on Finanstilsynet's environmental impact. The employees got used to new digital working methods, and the number of sheets printed at Finanstilsynet's offices were cut by much more than half in 2020 and 2021 compared with 2019. Print newspapers have been replaced by electronic newspapers.

Finanstilsynet will seek to ensure that its consumption is climate and environmentally friendly and that the procurement of goods and services for its operations has minimal negative consequences for the external environment. Based on its aim to be certified as an eco-light-house in 2022, Finanstilsynet spent time in 2021 on charting the current status, select areas of priority and establish internal guidelines. Emphasis is placed on efficient resource utilisation with respect to products' useful life, reuse and recycling.

Finanstilsynet entered into an agreement for the return of technical equipment towards the end of 2020 – both to ease the process of wiping hard drives and to allow technical equipment to be reused by, for example, school children. In 2021, 184 units were reused and 245 recycled.

Internal control

Finanstilsynet has a transparent organisation based on a line management structure and a clear division of responsibilities and authority. There is a set of common procedures and guidelines for operations, including case processing and security procedures. In addition, working procedures and checklists adapted to the various supervised sectors have been prepared. All guidelines and procedures are regularly updated. A code of ethics has been established for all employees and is reviewed at regular intervals.

Based on the risk assessments made by Finanstilsynet for the various supervised sectors, activity plans are prepared for individual sections. An overall activity plan for Finanstilsynet is also prepared to specify the activities designed to meet operational goals and performance indicators. Management follows up the activity plans

throughout the year to assess whether resource input and results are in keeping with plans and priorities, and ensure that any divergencies are explained and addressed. If necessary, the plans will be adapted to new needs and assumptions during the year.

The greatest risk to Finanstilsynet's supervisory activity relates to its ability to have adequate specialist expertise in the various supervised sectors. Finanstilsynet therefore places great emphasis on sound management and a good personnel policy. The HR function is actively involved in recruitment and staff development processes. Finanstilsynet's administrative functions support its licensing and supervisory activities. The document processing system ACOS WebSak (approved according to the Noark 5 standard) was upgraded in 2021. In addition, Finanstilsynet uses the elnnsyn and eFormidling solutions. The responsibilities of the finance function include public procurement, budget and accounting. Finanstilsynet has entered into an agreement with the Government Agency for Financial Management (DFØ) on the delivery of payroll and accounting services and with the Norwegian National Collection Agency on the collection of supervision fees. The authority's default status is regularly reviewed. No significant events of default were registered in 2021.

Responsibility for the procurement of IT solutions, internal IT development and follow-up of outsourced IT development has been assigned to the Digitalisation and Analysis Department. A portfolio committee has overall responsibility for proposing priorities related to IT development for the entire organisation within the given budget limits. The assessments of the portfolio committee provide the basis for the decisions made by the Director General and the Board.

Finanstilsynet has an internal controller who oversees and controls compliance with the code of ethics and other guidelines and procedures. The controller reports to the Board.

No significant weaknesses, faults or deficiencies were brought to light through the internal control system in 2021. The internal control system provides a sound basis for ensuring purposeful, efficient operations, reliable reporting and compliance with relevant rules and internal policies and procedures. Finanstilsynet is characterised by a high degree of stability, and errors or significant failure of procedures are rare.

Security and preparedness

Finanstilsynet attaches importance to security and to maintaining preparedness for possible crises in individual institutions, the financial infrastructure and markets. The authority also maintains preparedness for possible incidents in its own organisation.

The security and emergency preparedness organisation was put to the test in 2020 in connection with the handling of the Covid-19 pandemic. The organisation proved to be able to deal with the consequences of the pandemic, both in its supervisory work and in its own organisation. At the onset of the pandemic, the internal crisis response unit got to work, and a crisis management team (CMT) was activated. Both the CMT and the crisis response unit had regular meetings during the first year of the pandemic, but there was less need for such meetings in 2021. There was still close cooperation with Norges Bank and other government agencies, partly to help ensure that uniform measures targeting employees were taken during the pandemic. Finanstilsynet has kept a close watch on infection rates and has followed the containment measures recommended by the government.

Finanstilsynet uses the emergency response and crisis management system CIM in its work on preparedness. Courses and training in CIM were arranged again in 2021. Several of Finanstilsynet's contingency plans were updated in 2021.

Finanstilsynet continued its work on information security and responded to questionnaires from the Norwegian National Security Authority (NSM) concerning the organisation's information security and information security management systems. Finanstilsynet continued its work on information security in 2021.

In order to heighten the awareness of its employees, Finanstilsynet participated in the national security month and sent monthly e-learning courses to all employees, aiming to increase their knowledge about email scams and online fraud. The authority has arranged courses and information meetings about IT security and other training measures for all employees. There have been several phishing exercises to test the employees' knowledge and awareness of IT security and cyberattacks.

Finanstilsynet has used a consulting firm for advice and testing within IT security. The firm has also checked the information security of Finanstilsynet's management system and provided guidance to improve IT security.

As a consequence of the Covid-19 pandemic, hardly any employees were physically present at Finanstilsynet's offices during 2021. Thus, no fire and evacuation drills were conducted during the year.



ASSESSMENT OF FUTURE PROSPECTS

ASSESSMENT OF FUTURE PROSPECTS

Financial market risks

Activity in the Norwegian and international economies quickly rebounded after the sharp downturn triggered by the Covid-19 pandemic. A highly expansionary fiscal and monetary policy, with a historically low interest rate level, were key drivers behind the recovery and resulted in a rapid rise in values in the property, stock and bond markets. High pricing in these markets and high debt make both the Norwegian and the international economy highly vulnerable, and some countries and regions are particularly at risk.

Geopolitical turmoil poses a considerable risk to developments in the real economy and the financial markets in the period ahead. The Russian attack on Ukraine in late February 2022 was a dramatic turn in history. The acts of war and the economic sanctions and other restrictions on economic cooperation resulting from the war could have far-reaching economic and financial consequences. Global financial markets could be hit by an economic downturn, commodity shortages, cyber attacks and general turmoil.

High household debt and elevated property prices still represent the key vulnerabilities in the Norwegian financial system. The debt burden of Norwegian households is high, both in historical terms and compared with other countries. Many households have very high debt relative to income and the value of their property. These are vulnerable to declining incomes, rising lending rates and falling house prices. If a large number of households have to reduce their purchases of goods and services at the same time, this could have major negative ripple effects in the economy and the financial system.

Higher energy and commodity prices and bottlenecks in global value chains, coupled with strong fiscal and monetary stimulus, have contributed to rising inflation in a number of countries. Inflation in the US, the UK and the euro area is now far above the set inflation targets. Several central banks have implemented or announced an increase in key policy rates from a record-low level after the outbreak of the pandemic, and the major central banks have announced that their large bond holdings will be reduced. The interest rate level is expected to rise in the years ahead.

It is uncertain whether the elevated level of inflation will prove to be temporary. The war in Ukraine may contribute to a further rise in prices, particularly on energy and commodities. If inflation remains at the current level or rises, there may be a need for significant monetary tightening in a number of countries. If so, this will also affect the Norwegian economy and the Norwegian financial system, which is vulnerable to a sharp rise in interest

rates. In such a scenario, many banks may be exposed to significant losses. Finanstilsynet is keeping a close watch on the situation in the markets and financial institutions and prepares analyses and conducts stress tests of the institutions.

Increased digitalisation

The financial sector is characterised by rapid digitalisation, driven by new technology, new regulations and new market entrants and service providers. Future developments may result in significant gains for both the financial industry and customers, but may also create new vulnerabilities. Any cyber attacks that affect the financial infrastructure could have serious consequences. The high degree of interconnectedness within the financial system means that a single serious incident could lead to a widespread crisis with the risk of financial instability if efforts to limit its consequences fail. Finanstilsynet, together with other affected authorities, must contribute to ensuring robust IT systems and good contingency measures to reduce the risk of digital crises and limit their potential harmful effects.

Blockchain technology, virtual assets and so-called decentralised finance challenge the traditional financial system. Such technologies and markets may affect financial stability and confidence in the financial markets. Since these are new technologies and markets, it is challenging to analyse how they will develop and the risks they may pose. Several international initiatives have been taken to regulate these technologies and markets.

Measures against money laundering and the financing of terrorism

Money laundering and the financing of terrorism may engender extensive economic costs to society. In order to prevent this, close cooperation is required between authorities and various industries on risk management, analyses and measures. Both in Norway and internationally, regulations have been tightened in recent years, while supervisory methodology has been further developed and supervision has become more extensive. A pan-European approach based on sound supervisory practices and relevant sanction opportunities is instrumental in combating this type of crime. The regulations are expected to be tightened and supervisory practices further harmonised in Europe in the coming years.

Illegal activity

Illegal activity contributes to weakening confidence in the financial markets and represents unfair competition for firms operating in compliance with the regulations. Those who operate illegally may operate outside or on the verge of regulation and supervision and create the wrong impression that they are regulated and under supervision. This may be the case for new digital platforms that challenge traditional business models. Investors and consumers should make sure to check for themselves whether a firm is serious and reliable, which should include checking Finanstilsynet's registry and market warnings. Finanstilsynet follows up illegal activities, which in some cases includes requiring firms to wind up their operations. Several cases are also reported to the police.

The follow-up of illegal activities often requires substantial resources, and Finanstilsynet must assess its efforts in relation to its supervision of institutions that are licensed, regulated and under supervision.

Climate risk

Climate change and the transition to a low-emission society entail a significant restructuring of the economy, with financial losses in industries and firms that are negatively affected by the changes. This may also subject banks and other financial institutions to losses. In addition, non-life insurers are particularly exposed to physical climate risk. Finanstilsynet expects financial institutions to cover all significant risks, including climate risk, in their risk management systems.

Over the past year, Finanstilsynet has surveyed how firms deal with climate risk and sustainability. Although many firms have made strides in this field, the general impression is that they need to intensify this work in order to comply with the new EU requirements that are expected to be implemented in Norwegian law shortly. For Finanstilsynet, it is important to analyse how climate risk may affect individual firms and the financial system. Finanstilsynet will refine its supervision and work on analyses and stress tests in this field.

Investors and consumers must be given correct information about investment opportunities, which will also enable them to assess to what extent investment products meet sustainability goals. Greater interest in green investment products also heightens the risk that securities and mutual funds will be marketed as sustainable without actually being so, so-called greenwashing. Pan-European rules on environmental targets and classification will also be implemented in Norway.

Consumer protection

Financially sound, well-capitalised financial institutions and well-functioning financial markets are fundamental consumer interests. Consumers must be well protected when buying and selling financial products and real estate. They should be able to base their decisions on good information and neutral advice. In recent years, many households have significantly increased their financial risk exposure by investing in the stock market, both through direct investments and through pension savings. In addition, many young people have started investing in shares, and some social media influencers recommend high-risk investments, such as the purchase of crypto assets and so-called growth stocks, to this target group.

Institutions that provide investment services are subject to important rules on consumer and investor protection. Persons who provide investment advice or information about financial instruments, investment services or ancillary services must have relevant knowledge and expertise.

The EEA financial market

The financial industry has a wide range of cross-border activities and financial services within the EEA. Pan-European financial legislation is increasingly based on so-called full harmonisation with limited opportunities for national adaptation, which requires extensive harmonisation of supervisory practices under the auspices of the European Supervisory Authorities. The legislation is under regular review to address changes in the markets and promote European integration. It is resource intensive to implement, interpret and comply with the legislation and common supervisory standards. Regulatory management and participation in the supervisory cooperation already require considerable resources on Finanstilsynet's part and must be expected to increase in scope in the years ahead. There is also a growing need for guidance from Finanstilsynet to supervised institutions.

Effective financial supervision

Finanstilsynet's supervisory activities shall be risk-based. Nevertheless, due to Finanstilsynet operating parameters, it has limited scope to make priorities based on its risk-based supervision. Finanstilsynet must, within the confines of the regulatory framework, obligations arising from the EEA cooperation, allocated resources and requirements specified in the letter of allocation from the Ministry of Finance, prioritise the activities that will contribute the most to financial stability and well-functioning markets.

Competent employees who know the financial sector well, who follow regulatory developments in the EU and develop supervisory methodology for new financial services and markets, and who analyse the balance of risks and trends in the markets, are important to enable Finanstilsynet to be updated and conduct risk-based supervision.

In January 2022, Finanstilsynet initiated a digitalisation project that will span five years. The project will contribute to automating licensing matters, digitalising supervisory processes, ensuring more efficient reporting and data capture, better analytical solutions and increased sharing of data. The purpose of the project is to increase the scope and pace of the digitalisation process.

Finanstilsynet is working continuously to identify and implement measures that may improve and streamline its operations. Streamlining and simplification are necessary to enable Finanstilsynet to carry out new, resource-intensive tasks while maintaining a satisfactory level of activity in all supervised sectors.



ANNUAL ACCOUNTS

ANNUAL ACCOUNTS

Comments from the Director General

The annual accounts are prepared and presented in accordance with the Regulations on Financial Management in Central Government and appurtenant circulars and requirements from the Ministry of Finance. The presented accounts with notes provide a true and fair view of Finanstilsynet's disposable appropriations, revenues and expenses, assets and liabilities in 2021.

The Storting determines Finanstilsynet's expenditure budget and revenue budget as part of the government budget. The 2021 operating expenditure budget (item 01) originally totalled NOK 425.4 million. The budget was later increased by NOK 7.2 million to compensate for the wage settlement. Including NOK 10.8 million carried forward from 2020, the aggregate disposable operating budget came to NOK 443.4 million.

Parts of Finanstilsynet's budget are allotted over item 45 *Major procurements and maintenance (IT)*. This appropriation is earmarked for IT development projects, and unused funds can be transferred to subsequent budget years independently of operating expenditure. In the budget for 2021, there was an appropriation of NOK 19.8 million which, together with NOK 4.2 million carried forward from 2020, brought disposable funds to NOK 24 million. Finanstilsynet's digitalisation strategy specifies its priorities for 2020–2022. For a long time, Finanstilsynet has been refining its IT systems to ensure compliance with new and comprehensive pan-European regulations and improve its supervisory activities. The process to develop effective reporting and analytical solutions integrated with Finanstilsynet's professional systems has been ongoing for several years and will continue over the coming years in order to handle the increasing number of tasks. Use of RPA technology (Robotic Process Automation) to streamline work processes was a priority area in 2021.

The appropriation report shows that aggregate expenditure in 2021 came to NOK 466.7 million, down 0.7 per cent in nominal terms from 2020. The appropriation report also includes VAT charged to the government VAT netting arrangement. The expenditure underrun for item 01 *Operating expenditure* was just below NOK 13.8 million, which Finanstilsynet has applied to carry forward to 2022. The expenditure underrun for item 45 was NOK 3.1 million, which Finanstilsynet has also applied to carry forward to 2022. The calculation of underruns is shown in Note B.

Overall salary expenditure came to NOK 340 million, up 0.7 per cent compared with 2020. Disbursements to salaries represented 75.9 per cent of net reported operating expenditure in 2021. The number of FTEs worked in 2021 was 294, compared with 292 in 2020. See a further account of the number of employees in Finanstilsynet on page 13. The low growth in salary

expenditures can be explained by a decline in pension premiums to the Norwegian Public Service Pension Fund. Pension premium payments totalled NOK 36.8 million in 2021, down 18.3 per cent from 2020. See a further account of pension premiums in the note on accounting principles on page 49.

Disbursements for investment and other disbursements to operations (see reporting by natural classification) were down 3 per cent from 2020. This is partly a consequence of the Covid-19 pandemic and lower consumption in areas such as travel, meetings and property management. Some minor changes in operations, such as using own employees to perform services previously purchased from external providers, are shown in the accounts as disbursements to salaries, not as disbursements to operations.

Finanstilsynet charges fees for prospectus control under the Securities Trading Act and for processing applications for a licence to operate as a payment institution or e-money institution, applications for a licence to operate as an account information service provider and applications for a licence to engage in debt collection. Total fees paid in 2021 were NOK 14.3 million, up from NOK 11.2 million in 2020. Compared with the budget, there was a revenue overrun of NOK 1.7 million due to the fact that Finanstilsynet vetted a higher number of and more comprehensive prospectuses than expected in 2021. Fees for the vetting of prospectuses came to NOK 14 million in 2021, compared with NOK 10.7 million in 2020.

Pursuant to section 9 of the Financial Supervision Act, Finanstilsynet's expenses are covered by the institutions under its supervision in the financial year. Under the Act, the expenses shall be distributed among the various groups of institutions according to the extent of the supervision. The overall claim for supervisory levies came to NOK 457 million. The supervisory levy is apportioned on the individual institution under detailed rules set out in regulations on the levying of expenses for supervision. After prior consultation with the trade organisations concerned, Finanstilsynet's supervisory levy for 2021 was communicated to the institutions for payment in May 2021. Levies were charged to a total of 15,138 entities under supervision, including 86 foreign branches. The largest category of supervised entities is external accountants, numbering 11,852 at the start of 2021.

Relinquishment of gain and administrative fines are entered under Finanstilsynet's revenue chapter. These revenues are not part of the basis for calculating the supervisory levy. Fines totalling NOK 427.8 million were paid in 2021, compared with NOK 4.3 million in 2020. One bank was charged with an administrative fine of NOK 400 million in 2021, which explains the large increase from the previous year.

The Office of the Auditor General audits the activity of Finanstilsynet. The audit report for 2021 is due to be available by 1 May 2022 and will be published on Finanstilsynet's website.

Oslo, 28 February 2022



Morten Baltzersen
Director General

Accounting policies

The annual accounts are prepared in accordance with the guidelines in point 3.4 of the 'Regulations on Financial Management in Central Government' and requirements in circular R-115 dated 17 December 2019. Finanstilsynet's accounts are kept on a cash basis. Revenues and expenses are recognised when paid. The accounts follow the calendar year and contain all reported expenditures and revenues for the accounting year. Expenditures and revenues are entered in the accounts on a gross basis.

Finanstilsynet pays pension premiums to the Norwegian Public Service Pension Fund. Up until 2020, the premium was calculated based on a technical settlement and fund monitoring, where the employer's share was determined on an annual basis. From 2021, Finanstilsynet fully complies with the provisions of circular R-118 'Budgeting and accounting for pension premiums for public enterprises'. The employer pays 12 percentage points and the employee 2 percentage points of pensionable salary. In addition to this percentage, Finanstilsynet has covered estimated insufficient pension premium payments ensuing from the technical settlement for 2019 of NOK 8.06 million (including employer's national insurance contributions). In comparison, pension premiums representing 19.2 per cent and 18.65 per cent of pensionable salaries were calculated in 2020 and 2019, respectively. 2 percentage points of this is withheld from the employees.

Finanstilsynet is linked to the central government's consolidated accounts scheme at Norges Bank and has drawing rights equivalent to the Storting's appropriation. At year-end, the balance on each settlement account is reset to zero.

Appropriation reporting

Appropriation reports with notes show the appropriations at Finanstilsynet's disposal, collated with accounting data reported to the central government accounts.

The Norwegian Tax Administration, represented by the Norwegian National Collection Agency, is granted a debit authorisation in chapter 4602, items 03 and 86, and in chapter 5580, item 70. The Norwegian Government Agency for Financial Management has given Finanstilsynet special authorisation to diverge from the standard appropriation reports as laid down in 'Regulations on Financial Management in Central Government', para. 3.4.3.2, by adding further columns. Hence the report from the Norwegian Tax Administration / the National Collection Agency is shown in the column 'Entered by others in accordance with authorisations'. The actual difference between the appropriation and the accounts is shown in the column 'Deviation from allocation'. The authorisation to diverge from the standard report applies up to and including the 2025 accounting year.

Reporting by natural classification

The reporting by natural classification with notes shows Finanstilsynet's reports to the central government accounts in 2021 based on the standard chart of accounts in the accounting year with comparatives for 2020.

Note 6 shows the difference between the final account and the preliminary account with the Treasury. The final account with the Treasury shows the sum of booked amounts of assets and liabilities in Finanstilsynet's account specification, while the preliminary account with the Treasury shows assets and liabilities reported to the central government accounts.

Table 10: Appropriation report for the accounting year 2021, itemised

Expenditure chapter	Chapter name	Item	Item text	Note	Total appropriation	Accounts 2021	Expense overrun (-) or underrun	Entered by others in accordance with authorisations	Deviation from allocation
1602	Finanstilsynet	01	Operating expenses	A, B	443,432,000	429,655,439	13,776,561		
1602	Finanstilsynet	45	Major procurements and maintenance (IT)	A, B	24,014,000	20,908,475	3,105,525		
1633	Govt. VAT netting arrangement	01	Operating expenses		0	16,130,465			
Total expensed					467,446,000	466,694,379			

Revenue chapter	Chapter name	Item	Item text	Note	Total appropriation	Accounts 2021	Revenue overrun or underrun (-)	Entered by others in accordance with authorisations	Deviation from allocation
4602	Finanstilsynet	03	Administrative processing fees	A, B	12,588,000	14,060,000	1,472,000	266,258	1,738,258
4602	Finanstilsynet	86	Relinquishment of gain, administrative fines etc.	A, B	413,500,000	0	-413,500,000	427,767,871	14,267,871
5580	Sectoral levies set by Ministry of Finance	70	Finanstilsynet, contributions from supervised entities	A, B	454,810,000	1,617	-454,808,383	454,508,036	-300,347
5700	Contributions to the National Insurance Scheme	72	Employer's contribution		0	41,884,535			
Total taken to revenue					880,898,000	55,946,152			

Net amount reported to the appropriation account **410,748,227**

Capital accounts

60050601	Norges Bank CA / receipts	26,080,929
60050602	Norges Bank CA / payments	-443,043,506
716106	Change in outstanding account with the Treasury	6,214,351
Total reported		0

Holdings reported to the capital account (31 Dec.)

		31 Dec. 2021	31 Dec. 2020	Change
716106	Outstanding account with the Treasury	-14,329,021	-20,543,372	6,214,351

Note A Explanation of overall allocation

Chapter and item	Brought forward from last year	Current year's allocations	Overall allocation	
1601 01	Operating expenses	10,845,000	432,587,000	443,432,000
1601 45	Major procurements and maintenance (IT)	4,214,000	19,800,000	24,014,000
4602 03	Administrative processing fees		12,588,000	12,588,000
4602 86	Relinquishment of gain, administrative fines etc.		413,500,000	413,500,000
5580 70	Contributions from supervised entities		454,810,000	454,810,000

Note B Explanation of utilised authorisations and calculation of amount possibly to be brought forward to next year

Chapter and item	Headword	Expense overrun (-)/ underrun	Expensed by others in accordance with debt authorisations (-)	Expense overrun (-)/ underrun under debt authorisations	Revenue overrun / underrun (-) in accordance with revenue overrun authorisations	Overall basis for amount brought forward	Max. amount to be brought forward*	Possible amount to be brought forward calculated by Finanstilsynet
1602 01		13,776,561	0	13,776,561	0	13,776,561	21,629,000	13,776,561
1602 45	'Maybe brought forward'	3,105,525	0	3,105,525	0	3,105,525	43,900,000	3,105,525

* The maximum amount that may be brought forward is 5% of the year's appropriation on operating items 01–29, with the exception of item 24, or the sum of the last two years' appropriations under the headword 'maybe brought forward'.

Explanation of debt authorisations by revenue chapter

Chapter and item	Revenue overrun or underrun (-)	Taken to revenue by others in accordance with debt authorisations (+)	Revenue overrun / underrun (-) in accordance with debt authorisations
4602 03 Administrative processing fees	1,472,000	266,258	1,738,258
4602 86 Relinquishment of gain, administrative fines, etc.	-413,500,000	427,767,871	14,267,871
5580 70 Contributions from supervised entities	-454,808,383	454,508,036	-300,347

Explanation of use of budget authorisations

Debit authorisations received

In a letter dated 21 March 2000, the Ministry of Finance authorised Finanstilsynet (then Kredittilsynet) to consider and make decisions in cases concerning the government's liability involving amounts below NOK 250,000. Other conditions are set out in the Ministry of Justice and Public Security's circular G-01/2017 'Compensation claims against the government – charges to budget chapter 471, item 71 and waiver of objections against time-barred claims'. Finanstilsynet did not make use of this authorisation in 2021.

Headword 'maybe brought forward'

Finanstilsynet's appropriation in item 45 is allocated under the headword 'maybe brought forward'. The appropriation on this item covers IT systems development programmes.

Debit authorisations granted (entered by others)

Finanstilsynet has granted the Norwegian Tax Administration, represented by the Norwegian National Collection Agency, a debit authorisation on chapter 4602, items 03 and 86, and chapter 5580, item 70.

Authorisation to overstep operating appropriations against corresponding revenue overruns

Finanstilsynet received no revenue overrun authorisation in 2021.

Possible amount to be brought forward

The expenditure underrun in item 01 is calculated at NOK 13,776,561. This figure is below the limit for transfer of 5 per cent of the year's appropriation in item 01, and the entire amount is deemed possible to bring forward to 2022. The entire unutilised appropriation of NOK 3,105,525 in item 45 may be brought forward upon application.

Tabell 11: Statement of reporting by natural classification 31 Dec. 2021

	Note	2021	2020
Operating revenues reported to the appropriation account			
Receipts of fees	1	14,060,000	11,044,000
Receipts of grants and transfers	1	0	0
Receipts of sale proceeds and rents	1	0	0
Other receipts	1	0	0
Total receipts from operations		14,060,000	11,044,000
Operating expenses reported to the appropriation account			
Disbursements to salaries	2	340,031,000	337,766,335
Other disbursements to operations	3	108,037,709	111,365,284
Total disbursements to operations		448,068,709	449,131,619
Net reported operating expenses		434,008,709	438,087,619
Investment and financial revenues reported to the appropriation account			
Receipts of financial revenues		0	0
Total investment and financial revenues		0	0
Investment and financial expenses reported to the appropriation account			
Disbursement to investments	4	2,495,205	3,447,975
Disbursement to purchase of equities	4	0	0
Disbursement to financial expenses		0	0
Total investment and financial expenses		2,495,205	3,447,975
Net reported investment and financial expenses		2,495,205	3,447,975
Collection activities and other transfers to central government			
Receipts of taxes, charges, fees etc.	5	1,617	42,591
Total collection activities and other transfers to central government		1,617	42,591
Grant management and other transfers from central government			
Disbursements of grants and benefits		0	0
Total grant management and other transfers from central government		0	0
Revenues and expenses reported on central government chapter			
Group life insurance account 1985 (ref. chap. 5309, revenues)		0	0
Employer's contribution account 1986 (ref. chap. 5700, revenues)		41,884,535	41,608,107
VAT netting arrangement account 1987 (ref. chap. 1633, expenses)		16,130,465	17,217,398
Net expenses reported on central government chapter		-25,754,070	-24,390,709
Net reported to the appropriation account		410,748,227	417,102,294
Overview of outstanding accounts with the Treasury			
Assets and liabilities		2021	2020
Receivables from employees		24,998	10,000
Cash		0	0
Bank accounts with central government funds outside Norges Bank	6B	0	0
Tax withholdings owed and other withholdings		-14,240,149	-13,127,239
Public charges owed		-113,870	-117,235
Pension premiums allocated to the Norwegian Public Service Pension Fund		0	-7,308,898
Total outstanding account with the Treasury	6	-14,329,021	-20,543,372

Note 1 Receipts from operations	31 Dec. 2021	31 Dec. 2020
<i>Receipts from fees and charges</i>		
Prospectus control fees	13,970,000	10,744,000
Fees from payment and e-money institutions	90,000	270,000
Fees from account information service providers	0	30,000
Total receipts from fees and charges	14,060,000	11,044,000
<i>Receipts from grants and transfers</i>		
Total receipts from grants and transfers	0	0
<i>Receipts of sale proceeds and rents</i>		
Total receipts of sale proceeds and rents	0	0
<i>Other receipts</i>		
Total other receipts	0	0
Total receipts from operations	14,060,000	11,044,000

Note 2 Disbursements to salaries	31 Dec. 2021	31 Dec. 2020
Salaries	264,416,738	251,921,252
Employer's contribution	41,884,535	41,608,107
Pension expenses	36,825,035	45,076,045
Sickness benefit and other refunds (-)	-8,267,031	-6,499,391
Other benefits	5,171,723	5,660,322
Total disbursements to salaries	340,031,000	337,766,335
Number of FTEs worked	294	292

The number of FTEs worked has been calculated in accordance with personall notification PM-2019-13: Definition of FTEs worked.

Note 3 Other disbursements to operations	31 Dec. 2021	31 Dec. 2020
Rent	19,260,416	19,125,207
Maintenance of own buildings and facilities	0	0
Maintenance and conversion of rented premises	223,966	1,716,714
Other expenses on operation of property and premises	5,812,819	7,491,109
Repairs and maintenance of machinery, equipment etc.	330,990	1,085,412
Minor equipment procurements	623,740	655,368
Lease of machinery, furniture etc.	14,007,466	13,129,577
Purchases of consultant services	23,122,850	27,035,309
Purchases of external services	19,109,550	17,861,307
Travel and per diem	267,250	1,485,509
Other operating expenses	25,278,662	21,779,771
Total other disbursements to operations	108,037,709	111,365,284

Note 4 Disbursed to investments and purchase of equities	31 Dec. 2021	31 Dec. 2020
<i>Disbursed to investments</i>		
Intangible assets etc.	280,000	0
Sites, buildings and other real property	0	0
Infrastructure assets	0	0
Machinery and vehicles	0	0
Operating movable property, furniture, tools etc.	2,215,205	3,447,975
Total disbursed to investments	2,495,205	3,447,975
<i>Disbursed to purchase of equities</i>		
Capital contributions	0	0
Bonds	0	0
Investments in equities and participations	0	0
Total disbursed to purchase of equities	0	0

Note 5 Collection activity and other transfers to central government	31 Dec. 2021	31 Dec. 2020
Contributions from supervised entities	1,617	42,591
Total collection activity and other transfers to central government	1,617	42,591

Note 6 Final and preliminary account with the Treasury

Part A Difference between booked and reported account with the Treasury		31 Dec. 2021 Specification of <i>booked</i> account with Treasury	31 Dec. 2021 Specification of <i>reported</i> account with Treasury	Difference
Financial fixed assets	Investments in equities and participations	0	0	0
	Bonds	0	0	0
	<i>Total</i>	0	0	0
Current assets	Accounts receivable	0	0	0
	Other receivables	24,998	24,998	0
	Bank deposits, cash etc.	0	0	0
	<i>Total</i>	24,998	24,998	0
Long-term liabilities	Other long-term liabilities	0	0	0
	<i>Total</i>	0	0	0
Short-term liabilities	Accounts payable	-672,447	0	-672,447
	Tax deductions owed	-14,240,149	-14,240,149	0
	Public charges owed	-128,975	-113,870	-15,104
	Other short-term liabilities	0	0	0
	<i>Total</i>	-15,041,571	-14,354,019	-687,551
Total	-15,016,573	-14,329,021	-687,551	

Part B Specification of investments in equities and participations

	Purchase date	No. of equities	Holding	Voting rights	Company's annual profits	Company's recorded equity	Carrying amount in the accounts
<i>Deposit</i> OBOS Banken account no. 9820.17.90980						1,374,138	
Carrying amount 31 Dec. 2021						1,374,138	

The deposit in account no. 9820.17.90980 belongs to Boligbyggelagens sikringsfond.

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