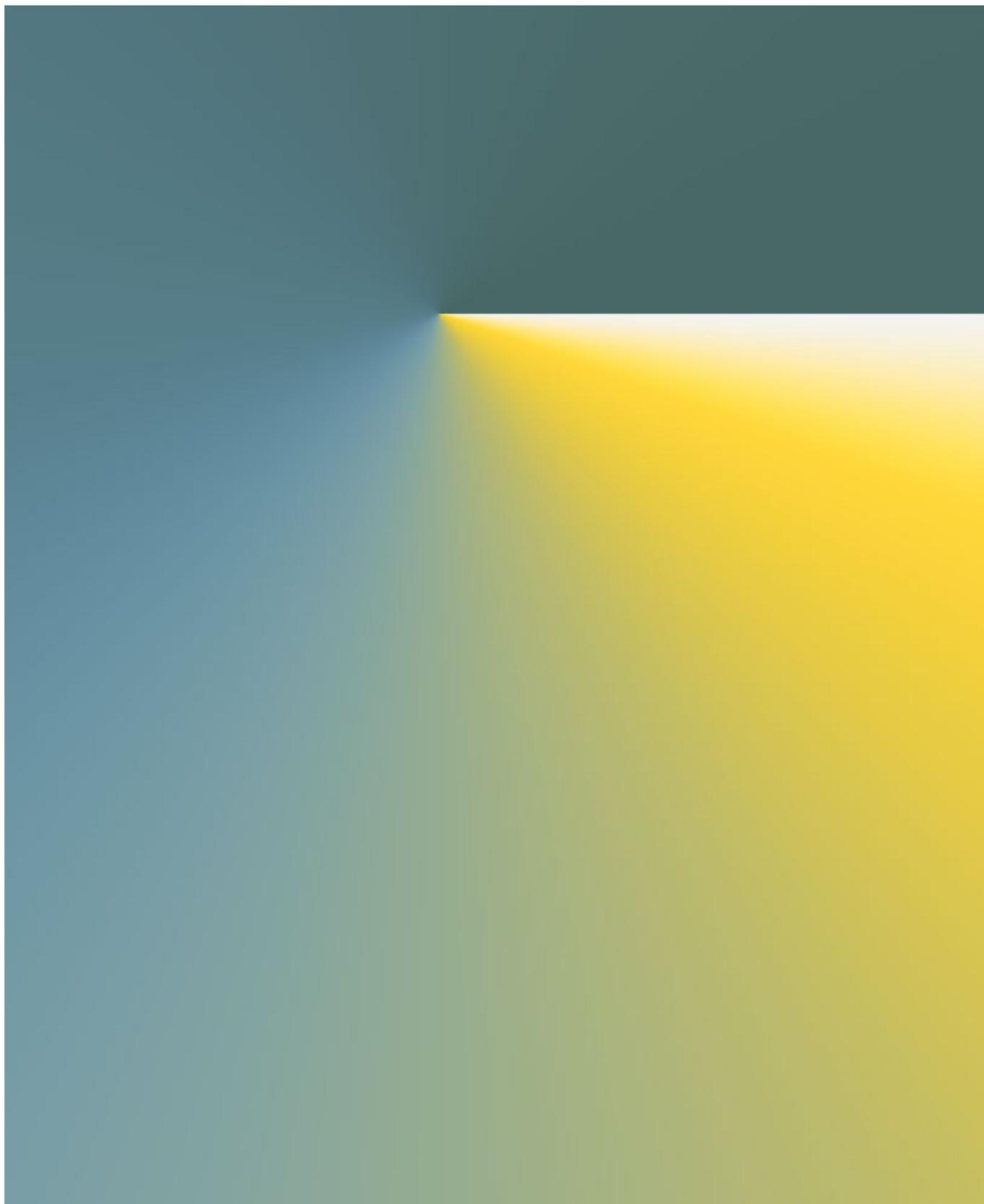




**FINANSTILSYNET**

THE FINANCIAL SUPERVISORY  
AUTHORITY OF NORWAY

# ANNUAL REPORT 2020



## **Risk Outlook 2020 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 2020 were published in February 2021.

# CONTENTS

I	REPORT BY THE CHAIR AND THE DIRECTOR GENERAL	4
II	INTRODUCTION AND MAIN FIGURES	7
III	THE YEAR'S ACTIVITIES AND RESULTS	21
IV	MANAGEMENT AND CONTROL OF FINANSTILSYNET'S OPERATIONS	38
V	ASSESSMENT OF FUTURE PROSPECTS	43
VI	ANNUAL ACCOUNTS	46



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

# REPORT BY THE CHAIR AND THE DIRECTOR GENERAL

The Covid-19 pandemic had an impact on Finanstilsynet's activities in 2020. The pandemic triggered the most serious economic setback since World War II. Large parts of the business sector were severely affected by the authorities' measures to contain the infection and by behavioural changes resulting from the pandemic. The crisis immediately caused financial market turmoil. Owing to extensive stimulus measures, however, the markets quickly calmed down. In spite of the pandemic and the economic setback, there was a sharp rise in prices of securities and property late in the year. Economic activity gradually picked up as the shutdown measures were lifted, but the level of activity remains significantly lower than prior to the crisis.

Vaccination will help to end containment measures, but uncertainty still attends the future path of the infection and the effect of the vaccines. Developments in the real economy and the financial markets will also be affected by how long the extraordinary fiscal and monetary policy stimulus measures can be maintained. There is a risk of a significant price drop in the securities and property markets.

Internationally, government emergency measures have led to sizeable budget deficits and thus extensive government borrowing. Unlike most other countries, the Norwegian government has significant room for manoeuvre in fiscal policy and has used this flexibility during the crisis. However, Norwegian households have a high level of debt, and debt growth has accelerated in recent months. Coupled with high property prices this poses a significant risk to economic and financial stability in Norway.

As a result of the Covid-19 outbreak and the shutdown measures implemented in March 2020, there was an immediate risk of a liquidity crisis and a breakdown in the functioning of the payment system and other financial infrastructure. Furthermore, a prolonged economic downturn could eventually inflict heavy losses on banks and other financial institutions. Shortly after the crisis occurred, Finanstilsynet therefore concentrated on monitoring the operational stability of the financial infrastructure and the liquidity of financial institutions and mutual funds. In addition, Finanstilsynet immediately took a number of initiatives to ensure the financial soundness of banks and insurers.

The Covid-19 crisis hit many European countries with great force within days and triggered a high level of activity in the European Supervisory Authorities, which initiated joint supervisory measures. Reporting requirements were adapted to meet the need to strengthen supervision of the institutions' operations and liquidity. Parallel to this, some requirements were relaxed to ease the institutions' reporting burden.

Securing financial institutions' solvency position to enable them to withstand heavy losses while providing loans and other financial services also quickly became an important part of the European crisis management measures. Based on the extreme uncertainty, the European Supervisory Authorities decided to issue strong requests to national supervisory authorities and all institutions to refrain from making dividend payments, share buybacks and other equity distributions, regardless of the financial position of the individual institution. Finanstilsynet took this into account when issuing requests to the institutions and providing advice to the Ministry of Finance regarding the use of the Ministry's legal powers as a macroprudential authority.

Just like a number of other institutions, Finanstilsynet had to adopt a work-from-home policy shortly after the government introduced a range of containment measures. The design of Finanstilsynet's ICT systems enabled this policy to quickly be implemented with some adjustments and facilitation measures. Normal operations could thus largely be maintained. These changes have in themselves contributed to increased digitalisation of operations and provided experiences that will be of great benefit when the operational situation returns to normal. Finanstilsynet has adopted an ambitious strategy for the further digitalisation of its operations. In spite of the crisis, a number of the measures in the strategy were implemented in 2020.

Although Finanstilsynet's capacity has largely been maintained, the crisis and containment measures have nevertheless caused a reduction in supervisory activities. It has not been possible to conduct on-site inspections as planned. Such inspections represent one of Finanstilsynet's key tasks. Although digital meetings have been used, they cannot fully replace physical meetings at on-site inspections. In addition, extraordinary tasks caused by the pandemic have challenged Finanstilsynet's capacity.

Finanstilsynet has largely discharged its tasks in line with the Ministry of Finance's letter of allocation. Activities in various areas planned for 2020 are well underway, but important supervisory activities have not been carried out as planned as a result of the pandemic and scarce resources. Some of these activities have been rescheduled to 2021, but postponed activities will also supplant other tasks that could have been completed in 2021 and beyond.

In recent years, Finanstilsynet has been assigned a number of new tasks and competencies, including its role as resolution authority, within money laundering supervision and the supervision of securities market infrastructure and trading. At the same time, participation in the European supervisory cooperation and investigations assigned by the Ministry put a strain on Finanstilsynet's capacity to carry out its core tasks.

Just like other government agencies, Finanstilsynet seeks to streamline its operations through digitalisation, improved work processes and refinement of risk-based supervisory methodologies within the framework of legislation and its obligations as part of the European supervisory cooperation. In Finanstilsynet's opinion, however, it may nevertheless be difficult to maintain an adequate level of supervisory activity in the future without increased funds to hire more employees and to carry out ICT investments.

The Financial Supervision Act dates back to 1956. During the period the Act has been in force, financial markets, financial market legislation and supervisory activity have undergone significant changes. EEA legislation and supervisory cooperation within the EEA have had a particularly strong bearing on Finanstilsynet's activities. Finanstilsynet's obligations and policy instruments are largely covered by the new financial market legislation, where EEA legislation inter alia sets requirements for the supervisory authority's activities and independence. Thus, it is about time to review the Financial Supervision Act to bring it in line with Finanstilsynet's new operating parameters. In January 2020, Finanstilsynet therefore presented a proposal to the Ministry of Finance to set up a committee to review the Act.

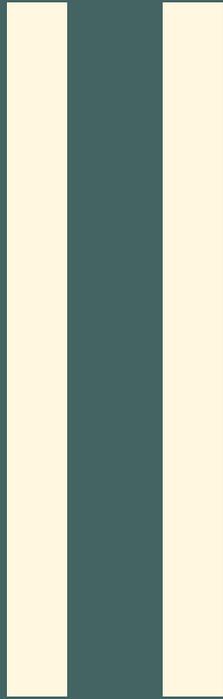
Oslo, 18 February 2021



**Finn Arnesen**  
*Board chair*



**Morten Baltzersen**  
*Director General*



## **INTRODUCTION AND MAIN FIGURES**

# INTRODUCTION AND MAIN FIGURES

## 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 enterprises 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. Finanstilsynet adopted a new strategy for the period 2019–2022 which was approved by its Board of Directors on 18 December 2018.

## Main goal

Finanstilsynet's main goal is to promote financial stability and well-functioning markets. 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 2020, see account in Chapter III. The operational goals are:

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. The Board has five members, two alternates 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.

## Composition of the Board of Directors as of 1 March 2018:

### **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

### **Kjetil Wibe**

*board member*

Attorney-at-law – Advokatene Rege & Wibe

### **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

### **Bjørn Arild Gram**

*second alternate*

Board Chair – Norwegian Association of Local and Regional Authorities (KS)

### **Sindre Weme**

*observer*

Director, Banking Analysis – Norges Bank

### **Ylva Søvik**

*alternate observer*

Assistant Director, Banking Analysis – Norges Bank

The following have represented the employees as from 26 March 2019:

**Marit Skjevling**, Senior Adviser

**Eirik Ihlen**, Senior Adviser

Their alternates were Senior Adviser **Elise Ødegård**, Adviser **Jim Signor Grimnes** (up to 24 October 2020) and Senior Adviser **Alfred Ødegård**.

Eleven ordinary board meetings and one extraordinary board meetings were held in 2020. The Board decided 29 administrative matters and 58 supervisory matters. The Board received information in writing on a further 23 administrative matters and 37 supervisory matters. The Board also receives a verbal briefing on relevant matters.

## Finanstilsynet's management team

**Morten Baltzersen**

*Director General*

**Ann Viljugrein**

*Deputy Director General,  
Banking and Insurance Supervision*

**Anne Merethe Bellamy**

*Deputy Director General,  
Capital Markets Supervision*

**Per Mathis Kongsrud**

*Deputy Director General,  
Digitalisation and Analysis*

**Cecilie Ask**

*General Counsel*

**Nina Moss**

*Deputy Director General, Administration  
(as from 1 July 2020)*

**Lisbeth Strand**

*Communications Director*

Up to 1 July 2020, **Gun Margareth Moy** held the position of Deputy Director General, Administration.

## 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
- regulated markets (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
- benchmark administrators

## Certain 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 ICT, payment systems 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 7.3 per cent in 2020, down from 8.3 per cent in 2019. There has been an increase in the number of recruited employees for several years, and 45 positions were announced in 2020. Some positions were announced several times. Finanstilsynet is marketing itself to the target groups it is recruiting from and uses alternative recruitment methods to ensure that the organisation attracts 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 have their training in economics, business economics, law or auditing.

The Director General's salary at the end of 2020 was NOK 1,730,000. The fixed annual remuneration to the Board Chair was NOK 288,800, to the Deputy Chair NOK 195,100 and to each board member NOK 169,000. Remuneration to the first alternate was NOK 142,200 and to the second alternate NOK 119,200.

## Facts and figures

Finanstilsynet had 308 permanent positions at the end of 2020, compared with 305 one year earlier. The number of employees at Finanstilsynet at the end of 2020 was 323, compared with 320 at the end of 2019. This includes short-term appointments/persons paid by the hour (including internships). The number of contracted FTEs totalled 297 at the end of 2020, an increase from 292 in 2019. 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 292 in 2020, compared with 279 in 2019. Days of absence have been deducted, while overtime/additional hours worked are included. The gender distribution at Finanstilsynet was 49 per cent men and 51 per cent women as at 31 December 2020. At the end of 2020, the management team comprised five women and two men. Among the heads of section, there were 50 per cent men and 50 per cent women.

**Table 1: No. of FTEs**

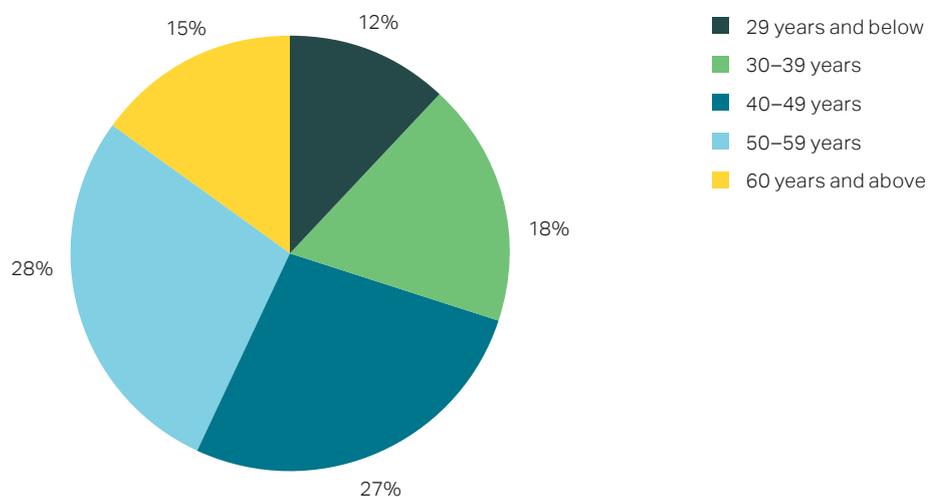
Source: SAP

Department	FTEs worked	Contracted FTEs
Administration	27.0	29.1
Banking and Insurance Supervision	90.0	91.3
Digitalisation and Analysis	64.4	65.5
Capital Market Supervision	97.2	97.1
Communications	7.5	8.0
Director General and his staff	5.9	5.8
<b>Total</b>	<b>292.1</b>	<b>296.8</b>

## Age distribution

**Chart 1: Age distribution at Finanstilsynet**

Source: Finanstilsynet/SAP



**Table 2: 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	–	24	21	38	17
Banking and Insurance Supervision	11	21	18	28	22
Digitalisation and Analysis	13	20	20	35	13
Capital Market Supervision	17	14	42	19	8
Communications	–	–	38	50	13
Director General and his staff	–	–	17	33	50
<b>Age distribution at Finanstilsynet</b>	<b>12</b>	<b>18</b>	<b>27</b>	<b>28</b>	<b>15</b>

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

## Gender distribution

Chart 2: Gender distribution at Finanstilsynet

Source: Finanstilsynet/SAP

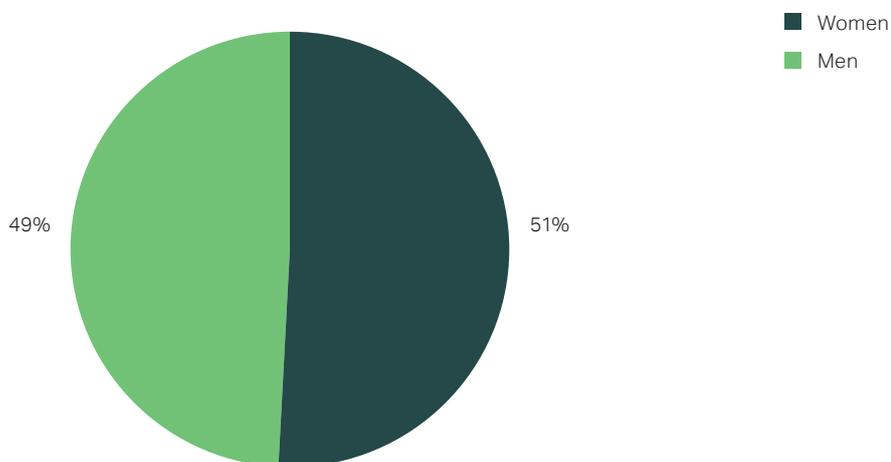


Table 3: Gender distribution by department (per cent)

Source: SAP

Department	Women	Men
Administration	79	21
Banking and Insurance Supervision	51	49
Digitalisation and Analysis	38	62
Capital Market Supervision	53	47
Communications	38	63
Director General and his staff	50	50
<b>Gender distribution at Finanstilsynet</b>	<b>51</b>	<b>49</b>

The chart shows the gender distribution of Finanstilsynet's employees. The figures include permanent staff, temporary staff, fixed-term employment contracts and short-term appointments – regardless of FTE percentage.

Finanstilsynet works continuously to further develop its organisation in keeping with national recommendations and its own needs. Finanstilsynet 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.

Finanstilsynet's Deputy Director Generals completed a so-called 360-degree evaluation in 2019, and there was a corresponding evaluation of the section heads in early 2020. In addition, performance reviews for all employees and an employee survey were carried out in 2020.

## Inclusion campaign

In 2020, Finanstilsynet worked actively to raise awareness of the targets set in the inclusion campaign. Throughout the year, Finanstilsynet participated in two projects initiated by the government authorities, 'Blind recruitment' and 'Inclusion campaign', aiming to reach the target that persons with gaps in their CV or reduced working capacity should represent 5 per cent of the total number of new employees. In its job advertisements, all qualified candidates are encouraged to apply for Finanstilsynet's vacant positions regardless of age, gender, working capacity, ethnic background or gaps in their CV.

In 2020, few candidates stated that they had reduced working capacity or gaps in their CV, and no candidates with gaps in their CV or reduced working capacity were employed. A temporary position was offered to a candidate with gaps in his/her CV, but the offer was turned down. In 2019, Finanstilsynet employed two candidates with gaps in their CV – one in a permanent position and one in a temporary administrative position.

Finanstilsynet is also committed to making arrangements whereby employees whose working capacity is, or has been, reduced can continue to work by working part-time and/or being assigned new work tasks. Some employees work reduced hours in combination with a partial disability pension, and Finanstilsynet focuses on making individual adaptations to keep them at work. Finanstilsynet has also availed itself of the wage subsidy scheme of the Norwegian Labour and Welfare Administration (NAV) and work experience placements through the 'IA Agreement'.

### Sickness absence

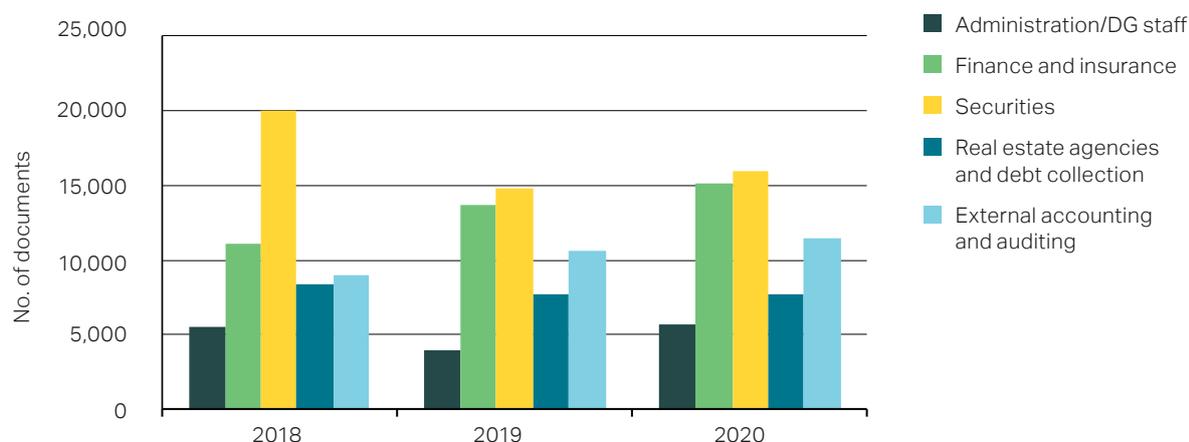
Sickness absence remained low at 3 per cent in 2020, compared with 4.9 per cent in 2019. For several years, Finanstilsynet's sickness absence target has been maximum 3.5 per cent. This target was thus reached for 2020. With its espousal of the government-sponsored 'IA Agreement' regarding a more inclusive 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.

**Table 4: Main figures from the annual accounts**

	2019	2020
No. of FTEs worked	279	292
Overall allocation (items 01-99)	NOK 448,985,000	NOK 467,639,000
Utilisation ratio, items 01-29	97.68%	97.51%
Disbursement to operations	NOK 426,821,082	NOK 438,087,619
Salaries as a share of operating expenses	73.36%	77.1%
Salary expenses per FTE	NOK 1,122,242	NOK 1,156,734

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

**Chart 3: Document processing**



	2018	2019	2020
Total no. of case documents	54,024	50,737	55,985

The number of registered incoming and outgoing documents increased by 5,248 from 2019 to 2020.

Chart 3 shows the number of documents per supervisory area. There was an increase in all areas with the exception of real estate agencies and debt collection, which was on a level with the previous year. The increase was partially due to the fact that the Covid-19 pandemic has required extraordinary reporting to Finanstilsynet. There was a rise in off-site inspections in 2020, which also gave an increase in the number of documents. The higher number of documents in the finance and insurance area also reflected increased reporting and follow-up of institutions in connection with the revised Payment Services Directive (PSD 2) and more licensing matters for payment institutions, providers of virtual currency services and to some extent electronic money institutions. The increase in the administration area reflects a high number of applications for vacant positions.

#### **Document access at Finanstilsynet**

Finanstilsynet received a total of 3,777 requests for document access in 2020, a reduction from 4,113 in 2019. 1,891 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.

## **Communication**

Finanstilsynet has many areas of responsibility regulated by extensive bodies of rules and featuring complex issues that require clear and consistent information provision. 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.

#### **Media coverage**

In 2020, the media coverage of Finanstilsynet reflected the Covid-19 pandemic. The coverage in the spring focused on how Finanstilsynet and the financial institutions were handling the crisis. The semi-annual *Risk Outlook* analyses received particular attention, as did Finanstilsynet's proposal that banks and insurers should refrain from making dividend payments and other capital distributions. In the autumn, the proposal on new lending regulations was subject to considerable attention. The residential mortgage lending survey conducted in the autumn of 2020, the survey of listed companies' sustainability reporting and the circular on loans to be classified as high risk were also covered. The media monitoring company M-Brain registered 4,633 media entries in 2020 in which Finanstilsynet received mention (6,090 in 2019). Finanstilsynet held four press conferences in 2020 which were broadcast on web TV.

**Table 5: Overview of supervised entities as at 31 December 2020**

	2016	2017	2018	2019	2020
Banks	125	126	126	122	<b>118</b>
Finance companies	25	24	28	30	<b>28</b>
Mortgage companies	34	33	33	32	<b>31</b>
Foreign branches of Norwegian banks and other credit institutions	18	18	12	16	<b>16</b>
Norwegian branches of foreign banks and credit institutions	39	39	35	32	<b>34</b>
Savings bank foundations and financial foundations	30	33	33	34	<b>34</b>
Payment institutions	15	19	16	15	<b>30</b>
E-money institutions	6	7	6	6	<b>6</b>
Exchange and storage services for virtual currencies <sup>1</sup>				6	<b>10</b>
Loan intermediaries <sup>2</sup>	3	5	11	13	<b>11</b>
Account information service providers <sup>3</sup>				0	<b>0</b>
Life insurers	13	12	12	11	<b>12</b>
Non-life insurers, incl. local fire insurance associations	59	58	56	55	<b>52</b>
Local marine insurance associations	6	6	5	5	<b>5</b>
Norwegian insurers' branches abroad	13	13	8	15	<b>14</b>
Foreign insurers' branches in Norway	29	29	28	29	<b>30</b>
Insurance intermediaries <sup>4</sup>	107	107	101	112	<b>107</b>
Private pension funds	48	47	50	50	<b>49</b>
Municipal pension funds	39	37	37	37	<b>35</b>
Defined-contribution pension providers	1	1	1	1	<b>1</b>
Pension funds	4	1	1	1	<b>1</b>
Holding companies	17	13	15	15	<b>11</b>
Investment firms	107	106	96	101	<b>97</b>
Norwegian branches of foreign investment firms	19	19	22	23	<b>16</b>
Fund management companies	31	29	29	29	<b>29</b>
Alternative investment fund managers (AIFMs)	35	37	40	40	<b>47</b>
Registered alternative investment fund managers (AIFMs)	67	110	107	128	<b>159</b>
Central counterparties (previously called clearing houses) <sup>5</sup>	4	–	–	–	<b>–</b>
Central securities depositories	1	1	1	1	<b>1</b>
Regulated markets, incl. stock exchanges	5	5	5	5	<b>5</b>
Financial benchmark administrators <sup>6</sup>		1	1	1	<b>1</b>
Auditors	7,570	7,807	7,933	8,128	<b>8,365</b>
Audit firms	488	447	447	458	<b>461</b>
External accountants	11,185	11,350	11,606	11,626	<b>11,854</b>
External accounting firms	2,785	2,827	2,772	2,715	<b>2,728</b>
Real estate agencies	503	510	506	504	<b>527</b>
Lawyers' practices that include estate agency	1,164	1,160	1,056	951	<b>880</b>
Debt collection agencies	103	99	101	93	<b>90</b>
Debt purchase businesses	3	7	8	4	<b>5</b>
Debt information undertakings <sup>7</sup>				3	<b>3</b>

<sup>1</sup> New category of entities under supervision from 2019.

<sup>2</sup> New category of entities under supervision from 2016.

<sup>3</sup> New category of entities under supervision from 2019.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> New category of entities under supervision from 2017.

<sup>7</sup> New category of entities under supervision from 2019.

At year-end 2020, Finanstilsynet also oversaw the financial reporting of 285 listed companies and supervised 415 mutual funds.

**Table 6: Number of on-site inspections by type of institution – incl. IT inspections**

	2016	2017	2018	2019	2020
Banking and finance <sup>1</sup>	53	42	35	64	<b>35</b>
Payment institutions and e-money institutions	3	–	2	2	<b>0</b>
Life insurers	4	7	4	3	<b>2</b>
Non-life insurers	8	9	6	4	<b>6</b>
Insurance intermediaries	3	5	1	3	<b>1</b>
Pension providers and funds	2	3	1	4	<b>2</b>
Investment firms	8	12	14	13	<b>8</b>
Fund management companies	2	–	2	3	<b>4</b>
Infrastructure undertakings and trading venues	4	3	4	4	<b>1</b>
Auditors	32	41	16	13	<b>19</b>
External accountants	40	57	63	47	<b>28</b>
Real estate agencies	29	25	21	16	<b>12</b>
Debt collection agencies	7	6	4	0	<b>6</b>
Debt information undertakings <sup>2</sup>				0	<b>0</b>
Exchange and storage services for virtual currencies <sup>3</sup>					<b>4</b>

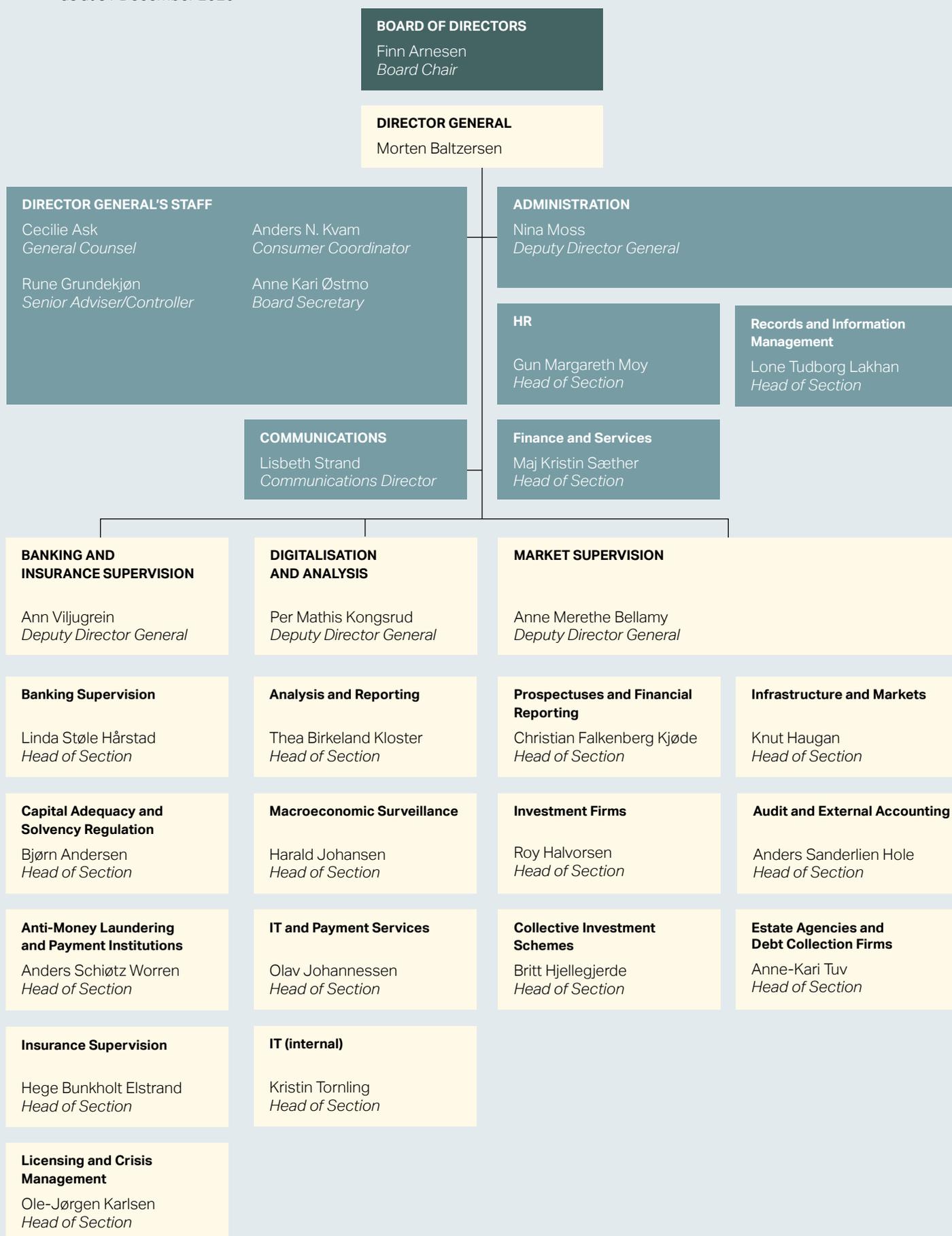
<sup>1</sup> The low number of inspections in the 'banking and finance' category in 2018 is partly due to the fact that some thematic inspections prepared in the autumn of 2018 were not carried out until early in 2019 and that Finanstilsynet conducted fewer inspections than in 2017 of enterprises using internal models (IRB) to calculate capital requirements for credit risk for the bulk of their loan portfolios.

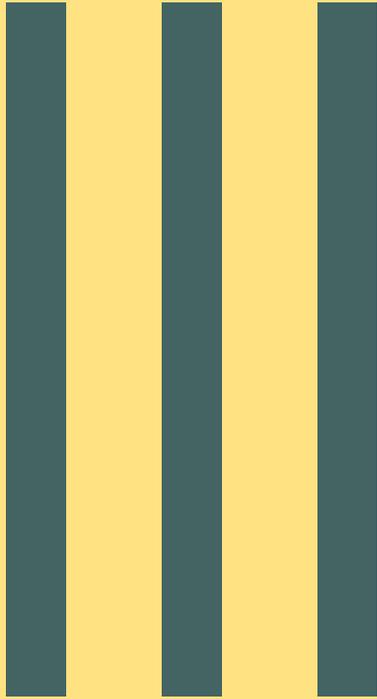
<sup>2</sup> New category of entities under supervision from 2019.

<sup>3</sup> New category of entities under supervision from 2019.

# Finanstilsynet's organisation

as at 31 December 2020





## **THE YEAR'S ACTIVITIES AND RESULTS**

# THE YEAR'S ACTIVITIES AND RESULTS

Finanstilsynet's activities were strongly affected by the Covid-19 crisis throughout 2020. The pandemic triggered considerable uncertainty in the real economy and in the financial markets, and institutions' risk situation was subject to rapid change. Finanstilsynet was in close dialogue with the industry during the period following the shutdown of society in March, and extraordinary reporting was introduced for several groups of institutions. In March, ad hoc reporting and follow-up in the liquidity risk area was introduced, as well as reporting of business continuity plans and measures in a selection of institutions. In the credit area, extraordinary reporting was introduced in May. The monitoring of individual institutions and markets was intensified. The threshold for reporting short positions was lowered following a decision by the European Securities and Markets Authority (ESMA), which resulted in system changes and a significant increase in reporting. In consequence of the Covid-19 pandemic, Finanstilsynet prepared daily reports with market updates during the spring until the summer, and thereafter weekly reports.

The direct negative effects on economic activity and the considerable uncertainty entailed a high risk of losses for financial institutions. Thus, it was vital to implement measures to ensure that the institutions remained financially sound and maintained adequate liquidity to be able to continue to provide loans and other financial services. Finanstilsynet quickly took a number of initiatives to help to ensure that the institutions would retain their equity in line with recommendations from the European Supervisory Authorities.

Finanstilsynet has been in close contact with the Ministry of Finance, Norges Bank and other government agencies during the pandemic. Finanstilsynet was designated as a coordinating government body and had to quickly identify institutions in the financial sector that are critical to society in order to ensure that personnel with critical functions were enabled to fulfil their duties during the pandemic.

Finanstilsynet has reported frequently on the situation in the market and the handling of the Covid-19 pandemic to the Ministry of Finance and other government authorities. In the early days of the pandemic, daily reports were sent to the Ministry of Finance. After some time, the reporting frequency was changed to weekly reports in addition to ad hoc reports on various topics.

There was intensive and ongoing cooperation with other supervisory authorities, in particular the European Supervisory Authorities for the banking, insurance and securities sectors (EBA, EIOPA and ESMA) in 2020, with frequent digital meetings to coordinate the handling of the Covid-19 pandemic in the financial sector. In response to the pandemic, these three authorities and the European Systemic Risk Board (ESRB) established a number of sub-groups that had frequent meetings and reported regularly to the Boards of Supervisors of the EBA, ESMA, EIOPA and ESRB. The supervisory colleges also met more often.

Finanstilsynet spent far more time on international meetings than planned, even though it was not possible to meet in person.

## Reporting of goal achievement

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

The plan of operations and performance measures for 2020 had been drawn up before the outbreak of the Covid-19 pandemic. The criteria for reaching the performance measures were rapidly changing, and the Covid-19 pandemic required a shift in priorities.

As the pandemic has progressed, Finanstilsynet has had to adjust its performance measures and reprioritise activities in order to effectively address the consequences for the financial sector and Finanstilsynet's own activities while carrying out planned and ongoing supervisory activities to the extent possible.

It has been challenging to maintain the level of activity due to extensive use of home office solutions, a reduction in the hours worked as a result of closed kindergartens and schools, and the general containment measures. Fewer inspections than planned have been

carried out. In addition, a number of individual cases and investigations have required more resources than expected.

Measures relating to the Covid-19 pandemic have also resulted in a shift in the prioritisation of development tasks. Although most planned tasks have been carried out, some planned work to streamline case processing and supervisory methods and develop supervisory modules and models has had to be postponed. See Chapter IV under *Streamlining and digitalisation*.

At the same time as large resources were tied up to handle the consequences of the pandemic, extensive resources were spent on investigations and regulatory work for the Ministry of Finance, reducing Finanstilsynet's supervisory capacity.

## 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 to reduce risk in the financial system.

The Covid-19 pandemic has resulted in some regulatory adjustments and a need for increased reporting in various risk areas. Banks' opportunity to grant loans deviating from the residential mortgage lending regulations was further extended for a temporary period. Finanstilsynet proposed new regulations whereby financial institutions would not be allowed, for the time being, to make dividend payments and other distributions of equity. The Ministry of Finance did not adopt such regulations but stated that it expected the banks not to make dividend payments in 2020. Nonetheless, several banks paid dividends in the course of the year.

In order to monitor the banks more closely, Finanstilsynet introduced extraordinary reporting with respect to liquidity, credit and operational continuity. This reporting came in addition to Finanstilsynet's ongoing monitoring of developments in the financial industry, the markets and the real economy. 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.

In Finanstilsynet's view, the measures and activities carried out by the authority in 2020 have promoted sound and well-capitalised financial institutions. The Covid-19 pandemic led to weaker results in Norwegian banks in 2020, but all the banks meet current capital requirements. Strong fiscal and monetary policy measures helped to dampen the pandemic's negative impact on the Norwegian economy in 2020 and thus mitigated the banks' loan losses. The banks were thus able to retain a relatively sound level of profits. However, considerable uncertainty still attends developments in the real economy and the financial markets, and consequently the risk of losses.

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 is also reviewed in connection with the supervisory assessment of risk and capital needs and on-site inspections.

In order to promote financially sound and well-capitalised financial institutions, Finanstilsynet took the following actions in 2020:

- conducted inspections to assess institutions' financial soundness, liquidity and risk management. Due to the Covid-19 pandemic, fewer inspections than planned were carried out, and most on-site inspections took place on digital platforms.
- followed up recommendations from EBA and EIOPA on financial institutions' dividend payments and advised the Ministry of Finance on how to follow up the ESRB's recommendation
- imposed extraordinary reporting requirements for the institutions as a result of the Covid-19 pandemic
- reviewed and evaluated the models of four banks that use internal models to calculate capital requirements (IRB)
- completed a thematic inspection of the implementation of IFRS 9 at selected banks
- carried out a supervisory review and evaluation process (SREP) and made Pillar 2 decisions<sup>1</sup> for 17 institutions, of which ten decisions were made on the basis of a preliminary SREP in 2019

<sup>1</sup> 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.

- reviewed insurers' solvency reporting under Solvency II as well as their own risk and solvency assessment (ORSA)
- started an assessment of life insurers' level of technical provisions
- worked on a framework for supervision of non-life insurers' technical provisions, including a proposal for which key figures should be used in ongoing monitoring
- analysed premium rates for one-year supplementary disability pension coverage in collective pension schemes
- undertaken closer follow-up of pension undertakings as a result of new capital requirements for pension funds
- included a review of sustainability and climate risk in supervisory activities in all relevant areas. See a further account on page 36 and the thematic report on Finanstilsynet's website.

Finanstilsynet also promotes financially sound and well-capitalised financial institutions through regulatory development. In 2020, Finanstilsynet chaired a working group, on commission from the Ministry of Finance, mandated to propose how changes to the EU's so-called banking package (BRRD2, CRR2, CRD V) should be implemented in Norway. This required considerable resources at the expense of other planned supervisory tasks.

The Ministry of Finance has delegated competence to Finanstilsynet for the implementation of Commission Delegated Regulations (level 2 regulations). This includes a large number of regulations and is also a resource-demanding task that must be undertaken at the expense of supervisory tasks.

Governance indicators	Performance targets 2020 (planned figures)	2020 results (completed)	2019 results
Inspections at banks, mortgage companies and finance companies			
a) ordinary on-site inspections	29	21	24
b) off-site inspections	2	0	2
c) IRB inspection	10	4	9
Completed SREPs			
	67	17	20
Inspections at insurers and pension undertakings			
a) ordinary on-site inspections	13–15	11 (of which 6 at non-life insurers, 2 at life insurers, 2 at pension undertakings and 1 at a real estate agency)	11
b) off-site inspections	6	1 (analysed life insurers' premium rates for one-year supplementary disability pension coverage in collective schemes)	

## 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 adequate management and control of ICT risk and other operational risks.

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. 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.

Finanstilsynet finds that these tasks have been performed in a satisfactory manner and thus helped to promote a robust infrastructure, despite fewer inspections in 2020 than originally planned. There was an increase in the number of reported ICT incidents in 2020 compared with 2019, but no special irregularities were observed in the operation of the payment systems as a result of the crisis.

In order to promote a robust infrastructure, Finanstilsynet took the following actions in 2020:

- rejected an application from the Norwegian Central Securities Depository for the distribution of dividends due to the extraordinary situation and uncertainty surrounding developments in the Norwegian economy and the financial markets
- followed up the ongoing integration of Oslo Børs into the Euronext Group
- granted Oslo Børs permission to migrate to the Optiq trading system and closely monitored the project, focusing on sound operation and satisfactory backup systems
- started processing the application from the Norwegian Central Securities Depository for authorisation pursuant to the new Securities Register Act
- participated in supervisory colleges for trading venues and central counterparties, where the Euronext colleges for Oslo Børs and the Norwegian Central Securities Depository were particularly resource-demanding

- assessed the scheme for temporary admission to trading on Euronext Growth (Merkur Market) for shares listed on Oslo Børs or Euronext Expand
- prepared a report from the on-site inspection at FishPool ASA
- prepared a report from the ICT inspection at Nasdaq
- carried out an ICT inspection of DNB's branch in London
- followed up the operational risk inherent in payment systems, settlement systems and the institutions' ICT systems in all supervisory areas through supervision, monitoring and control
- assessed ongoing reports of ICT incidents and held special follow-up meetings relating to four incidents
- had contingency measures in place for handling digital vulnerabilities and security incidents, and monitored developments within cybercrime
- followed up the banks' work on establishing interfaces for third party access to payment accounts and considered applications for exemption from the requirement for backup solutions
- overseen that payment card issuers and processors involved in e-commerce had completed, tested and initiated strong customer authentication
- completed fraud reporting for the second half of 2019 and the first half of 2020 under new regulations, including reporting to EBA
- processed around 250 notifications of ICT outsourcing
- held a meeting with Bits, Vipps/BankAxept and selected banks in connection with the establishment of a cash in-store solution
- followed up the banks' reports in connection with Nets' sale of parts of its operations to Mastercard
- conducted a survey of how the banks have adapted to the rules on how to prepare for increased

demand for cash, cf. discussion in the Financial Markets Report 2020

- prepared a guide to the debt collection agencies on the duty to report incidents pursuant to the ICT Regulations
- 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 two projects that were the first to be included in Finanstilsynet's regulatory sandbox for fintechs (see further account on page 37)
- published *Risk and Vulnerability Analysis 2020* 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. There was no separate BFI exercise in 2020, as it was part of the civilian national exercise Digital 2020, which was scaled down as a result of the pandemic. Challenges resulting from the strike among security guards and possible consequences for cash services were also followed up through BFI.

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. A small-scale exercise was also carried out related to the interaction with NFCERT.

Finanstilsynet and Norges Bank initiated a cooperation in 2020 to establish a security testing framework for the Norwegian financial industry based on the European TIBER framework (Threat Intelligence-based Ethical Red Teaming).

In 2019, Finanstilsynet became a partner at the National Cyber Security Centre (NCSC) and participated at regular status meetings at the NCSC in 2020 where status reports for the national digital threat picture are reviewed.

Governance indicators	Performance targets 2020 (planned figures)	2020 results (completed)	2019 results
Inspections of institutions' use of ICT systems and cyber security measures	34 inspections that include ICT in all supervisory areas	18 inspections that included ICT were carried out.  5 of the 18 inspections were conducted at banks, 3 at insurers, 4 at investment firms, 2 at debt collection agencies, 1 at a real estate agency, 2 at audit firms and 1 at an external accounting firm.	24 inspections  (11 at banks, 1 at an insurer, 7 in the infrastructure and securities areas, 1 at a payment institution, 2 at real estate agencies and 2 at audit firms)
ICT incidents that have been followed up	All (major) incidents will be followed up	A total of 207 incidents were reported: 187 operational incidents and 20 security incidents. 4 incidents were subject to special follow-up: 2 incidents at DNB, 1 incident at Nets that affected several banks, and 1 incident at Evry that affected several banks.	204 ICT incidents
Inspections at payment institutions	2	0	1 on-site inspection
Inspections at infrastructure entities	Complete 1 inspection at Fish Pool  1 inspection of the integration of Oslo Børs into the Euronext Group	Completed the inspection at Fish Pool that was initiated in 2019  1 inspection/follow-up of Oslo Børs' migration project, Optiq, incl. permission to outsource critical operating functions	4 on-site inspections

## 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 to ensure that current and periodic information from listed companies is correct and timely, and that prospectuses are designed in keeping with the requirements of the Securities Trading Act. Finanstilsynet's supervision of auditors auditing listed companies helps to assure the quality of the companies' annual financial statements. Through its supervision of investment firms and effective and swift enforcement of codes of conduct in the securities market, Finanstilsynet contributes to market discipline and the safeguarding of investors' and issuers' interests.

Due to the Covid-19 pandemic, fewer inspections than planned were carried out, also relating to this operational goal. For some time, Finanstilsynet has observed repeated errors and inadequate transaction reporting from some investment firms. Finanstilsynet will implement follow-up measures for both Norwegian and foreign investment firms in order to raise the quality of the reporting.

Despite all the extraordinary tasks related to the Covid-19 pandemic in 2020, Finanstilsynet has, through its ongoing supervision of the securities market and good information measures, actively promoted strong investor protection during the pandemic.

In order to promote investor protection, Finanstilsynet took the following actions in 2020:

- 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
- completed the IFRS 9 thematic inspection and held digital meetings with auditors in the major audit firms
- completed the thematic inspection of institutions' use of IFRS 15 and IAS 7 and published the supervisory reports

- completed the thematic inspection of institutions' use of IFRS 16 on alternative performance measures. 14 institutions were reviewed in accordance with the guidelines from ESMA (ten reviews of annual reports and four reviews of interim reports). The reports were published in early 2021.
- conducted an inspection of the EY audit firm. Due to travel restrictions, the inspection was conducted without the involvement of the US Public Company Accounting Oversight Board (PCAOB).
- held contact meetings with the largest audit firms
- conducted off-site inspections of external accounting firms and external accountants. More than 450 of them chose to surrender their authorisation in connection with the inspection. A number of accountants had their authorisation revoked as a result of failure to meet the continuing education requirement.
- reviewed 104 financial statements, including 30 interim financial statements
- established 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
- received 229 million transaction reports from investment firms, compared with 180 million reports in 2019. 31 million of these were reports from Norwegian investment firms.
- published a survey of listed companies' sustainability reporting (see further account on page 36)

<b>Governance indicators</b>	<b>Performance targets 2020 (planned figures)</b>	<b>2020 results (completed)</b>	<b>2019 results</b>
Cases related to short sales that have been followed up	Impossible to quantify. The number of cases depends on market players' behaviour.	24	24
Cases related to notification requirements that have been followed up	Impossible to quantify. The number of cases depends on market players' behaviour.	42	50
Cases related to the mandatory disclosure obligation that have been followed up	Impossible to quantify. The number of cases depends on market players' behaviour.	45	18
Financial statements reviewed	Review approximately 40 annual and interim financial statements of listed companies and initiate 10-12 supervisory cases selected on the basis of risk assessments, signals given and rotation	Reviewed 104 financial statements, including 30 interim financial statements.  Initiated 47 supervisory cases, including 22 cases concerning the contents of annual reports.	40
Vetted prospectuses	The number depends on the level of activity in the market. All prospectuses received will be reviewed.	118 prospectuses	119
Inspections at auditors	40 (30 on-site and 10 off-site inspections)	19 on-site and 23 off-site inspections (and 11 thematic inspections of AML measures)	13 on-site inspections 35 off-site inspections
Inspections at external accountants	60 (50 on-site and 10 off-site inspections)	28 on-site and 26 off-site inspections (and 11 thematic inspections of AML measures)	47 on-site inspections 15 off-site inspections

## 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' qualifications for understanding the product characteristics. Finanstilsynet promotes 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 to create assurance that product providers meet their obligations to their customers.

The mutual fund market was closely monitored after the sharp stock market decline in March, and there was daily contact with trade associations, depositaries and key market players. Emergency response plans were designed to enable Finanstilsynet to respond quickly in extraordinary matters, such as applications for suspension of valuations and redemption rights in mutual funds. Suspensions for nine mutual funds were endorsed. In a step to monitor the liquidity situation, Finanstilsynet initiated extraordinary weekly reporting from the largest management companies up until summer. There has been close dialogue with ESMA on how to handle the situation in the European mutual fund market.

Due to the market turbulence triggered by the pandemic, a survey was also carried out of the liquidity of large credit and real estate funds. The survey included management companies and AIF managers and was conducted as a common supervisory action (CSA) under the auspices of ESMA.

In order to better enable banks to help vulnerable customers through the crisis, the Ministry of Finance, on the advice of Finanstilsynet, decided to temporarily increase the flexibility quotas in the residential mortgage lending regulations to 20 per cent in the second and third quarter of 2020. The banks' reporting to Finanstilsynet showed that the share of loans granted that deviated from the requirements of the residential mortgage lending regulations increased during this period.

Consumers are dependent on good information, and Finanstilsynet responded to a large number of enquiries from consumers in 2020. As a result of the Covid-19 pandemic, Finanstilsynet also received a number of enquiries concerning agreements between customers and banks, mainly related to loan terms.

In order to promote consumer protection, Finanstilsynet took the following actions in 2020:

- followed up management companies' reporting of breaches of investment limits and followed up

individual companies. A number of breaches were reported in the first two quarters of 2020, with a doubling in the first quarter compared with the first quarter of 2019. The increase reflected market turmoil and currency fluctuations relating to the pandemic.

- examined investment firms' compliance with the rules on inducements
- conducted a thematic inspection of liquidity management in UCITS funds as part of a CSA under the auspices of ESMA
- issued 88 advance notices of orders for the establishment of mandatory occupational pension (OTP) schemes, issued 44 orders for the establishment of such schemes and made 16 decisions on the imposition of daily fines
- worked on feedback to the Norwegian Tax Administration's project to facilitate the use of the 'a-ordning' scheme to streamline the process to follow up OTP schemes
- completed inspection reports after inspections at insurance agents and insurance brokers
- reviewed insurance intermediaries' procedures for providing information about applicable insurance guarantee schemes
- completed a number of inspections of investment firms and initiated eight new inspections
- completed 30 off-site thematic inspections related to product approval, independent investment advice and competence requirements for employees at investment firms
- followed up a comprehensive survey of inducements by reviewing 35 investment firms and branches

- reviewed and followed up periodic reporting from real estate agencies, lawyers and debt collection agencies, and notified and made several decisions to revoke licences
- completed six inspections at real estate agencies that had been initiated in 2019
- carried out new inspections at eleven real estate agencies and one lawyer. Five of the inspections were limited to checking compliance with the anti-money laundering legislation. See also the account under operational goal 6.

- initiated a survey of the flow of information within real estate chains to uncover possible breaches of the brokerages' duty of confidentiality
- carried out inspections at five debt collection agencies

Finanstilsynet has been in close contact with the debt information agencies, processed applications and implemented changes to the regulations on risk management and internal control.

An inspection at a consumer loan bank was scheduled for 2020, but was not carried out due to the Covid-19 pandemic and scarce resources.

Governance indicators	Performance targets 2020 (planned figures)	2020 results (completed)	2019 results
Inspections at consumer loan banks	1	0	2
Inspections at investment firms	8 (2 thematic AML/CFT inspections, 2 inspections at crowdfunding platforms and 4 full-scale inspections)	8	Completed 11 inspections and initiated 7 inspections
Inspections at fund management companies, including AIF managers	4–6 on-site inspections	4 (completed inspections at First Fondene, NRP Asset Management, Norse Forvaltning and Forte Fondsforvaltning)	6
Inspections at insurance intermediaries	1–3	1	3
Inspections at real estate agencies and lawyers	5–10	11	16
Inspections at debt collection agencies	4	5	0
Inspections at debt information undertakings	1	0	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 to ensure that critical situations are handled in a satisfactory manner. The ability to quickly provide relevant information to the general public is also a key element of maintaining emergency preparedness.

In consequence of the Covid-19 pandemic, 2020 was characterised by continuous crisis management. At the same time, it was important for Finanstilsynet to fulfil its ongoing supervisory tasks. Read more about the measures implemented by Finanstilsynet at the start of this chapter. The pandemic led to increased uncertainty in the markets, and the institutions' risk situation changed rapidly. Finanstilsynet initiated close follow-up of the supervised institutions and introduced extraordinary reporting in order to keep a close watch on developments. Throughout the year, Finanstilsynet cooperated 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 has cooperated with Norges Bank and been in close contact with the Ministry of Finance during the pandemic.

In 2020, Finanstilsynet devoted substantial resources to the planning of the civilian national exercise Digital 2020 under the auspices of the Norwegian Directorate for Civil Protection (DSB). The scenario of the exercise was a digital attack on the financial sector. Due to the Covid-19 pandemic, the exercise was scaled down. Nevertheless, Finanstilsynet's involvement in the planning provided useful experience.

Information to the general public is an essential part of crisis management. During the year, Finanstilsynet regularly published information on its website to inform the supervised entities and the general public about the situation in the financial market and about various requirements set and measures implemented to handle the consequences of the pandemic.

In order to promote strong emergency preparedness and effective crisis management, Finanstilsynet has taken the following actions:

- refined methodologies and templates for resolution plans and set Minimum Requirements for Own Funds and Eligible Liabilities (MREL)
- specified requirements for institutions' reporting, which form the basis for Finanstilsynet's preparation of resolution plans
- completed 14 resolution plans and MREL decisions
- worked on a framework for management information systems, valuations, financial infrastructure, criteria for critical functions and templates for resolution documents
- adjusted the methodology for levies to the resolution fund in cooperation with the Norwegian Banks' Guarantee Fund and considered a request from the Norwegian Banks' Guarantee Fund for postponement of stage 2 of the model for levies to the Guarantee Fund
- assessed the recovery plans of 34 banks
- considered reports on breaches of banks' recovery indicators
- reviewed the recovery plans for the ten investment firms that are subject to the recovery and resolution framework
- participated in resolution colleges for six foreign banks with branches or subsidiaries in Norway and formalised its participation as a consequence of the incorporation of the BRRD into the EEA Agreement on 1 January 2020
- headed the resolution college for DNB
- chaired the Financial Infrastructure Crisis Preparedness Committee (BFI)

<b>Governance indicators</b>	<b>Performance targets 2020 (planned figures)</b>	<b>2020 results (completed)</b>	<b>2019 results</b>
Resolution plans established by Finanstilsynet	15	14	8
Recovery plans assessed by Finanstilsynet	52 recovery plans in banks (incl. foreign institutions with operations in Norway)  25 recovery plans in investment firms	34 recovery plans in banks and 10 in investment firms	8
MREL requirements set	Set MREL requirements for 15 banks	15	8

## 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. Finanstilsynet also oversees that the players in the securities market comply with market regulations, which include prohibitions on insider dealing and market manipulation. Illegal activity weakens confidence in the financial markets and undermines the operations of firms that comply with the regulations. However, Finanstilsynet has limited resources to follow up illegal activities.

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, significant 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. In 2020, an administrative fine was imposed on one bank, and another bank was notified that a fee would be imposed.

Supervisory efforts help to prevent illegal and criminal activities in supervised institutions. Suspicion of serious financial crime is reported to the police. Finanstilsynet's work to ensure satisfactory auditing and accounting also helps to prevent and uncover financial crime.

Notwithstanding the pandemic and the resulting financial turmoil and need for restructuring among obliged entities, Finanstilsynet is of the impression that the institutions' compliance with the AML legislation has not been markedly impaired. However, observations made at inspections show that compliance with the AML legislation in many cases remains inadequate. 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.

The fight against crime will remain a priority for Finanstilsynet. In order to help to fight crime, Finanstilsynet took the following actions in 2020:

- provided guidance to promote greater compliance with the AML Act
- followed up and imposed administrative fines for non-compliance with the AML legislation
- completed off-site AML/CFT inspections at 110 banks
- prepared a report from the thematic AML/CFT inspection that reviewed customer due diligence measures for individual VPS accounts and followed up account operators offering custody services to foreign financial institutions and investors

- initiated a survey of management companies' and AIF managers' compliance with the AML legislation. (The survey, which encompasses both licensed and registered AIF managers, comprised a total of 215 entities.)
- included compliance with the AML legislation at all ordinary inspections of mutual fund management companies
- carried out inspections at 11 real estate agencies and one lawyer (real estate business), which included compliance with the AML legislation
- investigated and followed up six notifications of estate agency business conducted without a licence
- reported two real estate agents to the police for illegal estate agency business and assisted in the investigation
- assisted Oslo Police District and ØKOKRIM (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) in a number of criminal cases
- followed up 11 investment firms, issued an order to terminate operations, notified an order for the termination of operations and issued six market warnings
- assisted Oslo Police District in reviewing assets sequestered at investment firms that were reported to the police in 2019
- followed up 45 cases concerning the mandatory disclosure obligation
- followed up 42 cases concerning the notification obligation
- followed up on 27 cases concerning the reporting of short sales

Fewer onsite AML/CFT inspections were carried out at banks than originally planned, partly due to the Covid-19 pandemic and partly due to individual cases that have been more resource-demanding than expected.

There has been a lag in Finanstilsynet's processing of licencing matters for electronic money institutions and especially for payment institutions. The follow-up of these

cases has been at the expense of on-site inspections, and no on-site inspections were conducted at payment institutions and agents of foreign payment institutions in 2020. Finanstilsynet has devoted considerable resources to assisting the police in the investigation of a number of institutions, and planned inspections were put on hold. Inspections at four exchange offices took place as planned, but there was insufficient capacity to carry out planned inspections at virtual currency exchanges.

Finanstilsynet has cooperated with the agencies participating in the Contact Forum and the Payment Services

Forum. In addition, Finanstilsynet has cooperated with ØKOKRIM and East Police District on several cases. Finanstilsynet has provided feedback to the government's new strategy against money laundering and terrorist financing, as well as the government's action plan. Finanstilsynet has also spent considerable resources on providing feedback to the new National Risk Assessment.

See also the report on money laundering and terrorist financing in 2020, published on Finanstilsynet's website (in Norwegian only).

Governance indicators	Performance targets 2020 (planned figures)	2020 results (completed)	2019 results
AML/CFT inspections at banks	13  On-site inspections at banks in the 'high and 'medium/high' risk categories..  Off-site inspections:  <ul style="list-style-type: none"> <li>completed inspections of customer due diligence measures at 100 banks</li> <li>reviewed compliance with the freeze obligations at 20 banks</li> </ul>	7	4 on-site inspections  (and off-site inspections at 110 banks)
AML/CFT inspections at other types of obliged entities (Several of these inspections are also included under other operational goals.)	56–58 inspections  Included in all 13-15 on-site inspections at insurers and pension institutions  15 on-site inspections at audit firms  15 on-site inspections at external accounting firms  1 inspection at a currency exchange (finance company)  2 inspections at ordinary payment institutions  4 inspections at hawala dealers  4 inspections at agents of foreign payment institutions  2 inspections at providers of exchange and storage services for virtual currencies	49 inspections  6 inspections at insurers  1 inspection at an insurance agent  5 inspections at investment firms  11 inspections at real estate agencies  11 thematic inspections at auditors  11 thematic inspections at external accountants  4 inspections at exchange offices	5 thematic inspections at investment firms  5 on-site inspections at real estate agencies  Thematic inspection of audit firms' compliance with the AML Act when selling advisory services  3 inspections at agents of foreign payment institutions  1 inspection at a payment institution  Thematic inspections relating to KYC measures for 253 VPS accounts at 26 registrars, including 7 investment firms, 8 banks, 5 fund management companies and 6 branches of foreign banks in Norway
Number of notifications of illegal activities that have been followed up	Impossible to quantify. The number depends on market players' behaviour.	Followed up signals concerning 11 entities in the securities area	
Number of investigated suspicious cases related to market behaviour	Impossible to quantify. The number of cases depends on market players' behaviour.	191	

# Other activities

## Climate risk and sustainability / green finance

In accordance with the letter of allocation for 2020, 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. In addition, international measures and recommendations must be taken into consideration. Furthermore, Finanstilsynet should help to spread knowledge about climate risk in the financial industry and develop suitable supervisory tools to oversee how the institutions manage environmental and climate risk.

More knowledge is required about how climate change affects financial markets and how climate-related risk may affect financial stability. 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 took the following actions in 2020:

- included the follow-up of sustainability and climate risk at inspections at 15 banks, eight insurers and two pension funds
- included expectations regarding insurers' climate risk management (physical and transition risk) in the risk module for evaluating the institutions' management and control. Climate risk is also assessed in insurers' annual own assessment of risk and solvency (ORSA).
- held meetings with three captives on climate risk to identify and increase knowledge of the undertakings' management and control of climate risk relating to insurance operations
- assisted in the work to implement a regulation on climate change on commission from the Ministry

of Finance and recommended that regulations in this field be compiled in a separate Act on sustainability

- carried out a survey of sustainable investments. There has been a significant increase in the offering of investment products that are marketed as sustainable, so-called ESG products (Environmental, Social and Governance), in recent years. Green funds in particular are actively marketed. This trend, viewed in light of the anticipated Norwegian rules for implementing EU rules on sustainable finance, was the reason why Finanstilsynet initiated a review at the end of 2020 of the work on sustainability carried out by management companies and AIF managers. The review encompasses both the companies' handling of investment products that are marketed as sustainable and the information they provide to the general public, at entity level as well as at product level.
- installed the PACTA model (software) and tested the model on the portfolios of Norwegian life insurers. Use of the model for banks is under consideration.
- provided feedback to the Ministry of Climate and Environment and the Ministry of Finance on the implementation of a test of whether investment portfolios are consistent with the Paris Agreement's climate targets
- published the NGFS' climate scenarios and other reports from the NGFS on Finanstilsynet's website
- reviewed listed companies' sustainability reporting

Finanstilsynet gave presentations on listed companies' sustainability reporting in connection with:

- Finanstilsynet's securities seminar
- Finanstilsynet's issuer seminar
- Finance Norway's seminar on sustainability reporting in Norway

Governance indicators	Performance targets 2020 (planned figures)	2020 results (completed)
Inspections that also address institutions' climate risk	Including: <ul style="list-style-type: none"> <li>• 15 banks</li> <li>• 3 life insurers</li> <li>• 6 non-life insurers and special meetings on climate risk with 6-10 insurers</li> <li>• investment firms and fund managers</li> </ul>	<ul style="list-style-type: none"> <li>• 15 banks</li> <li>• 2 life insurers</li> <li>• 2 pension funds</li> <li>• 6 non-life insurers and special meetings on climate risk with 3 captives</li> <li>• 1 insurance agent</li> <li>• Initiated a sustainability survey that encompasses all licensed management companies and AIF managers (approx. 65 entities)</li> <li>• Addressed climate risk at 2 on-site inspections at management companies</li> </ul>

## Finanstilsynet's 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. See the report on the regulatory sandbox on Finanstilsynet's website (in Norwegian only).

The regulatory sandbox for fintechs was opened for applications on 12 December 2019, with an application deadline of 12 February 2020. Finanstilsynet received a total of twelve applications. In April 2020, two projects from Quesnay AS and Sparebank 1 SR-Bank, respectively, were admitted to the sandbox.

Quesnay is a provider of services to the banking and financial sector and develops solutions for use in obliged entities' AML work. The sandbox project aimed to identify relevant issues related to the AML Act to clarify what information can be shared between obliged entities as part of their anti-money laundering efforts.

SpareBank 1 SR-Bank wants to develop a solution for an authorised digital customer adviser where the technology behind the advisory services includes artificial intelligence. The purpose of the sandbox project was

to build expertise in Finanstilsynet and Sparebank 1 SR-Bank within the development, management and control of a solution that provides fully automated pension advice in accordance with the Insurance Mediation Directive.

In 2020, Finanstilsynet made preparations for the sandbox projects in cooperation with the companies. Project plans were drawn up, describing the details of the projects, when the various activities would take place and the regulatory clarifications that may be relevant to discuss. Finanstilsynet established dialogue and cooperation with the Norwegian Data Protection Authority and continued its cooperation with the Danish Financial Supervisory Authority's regulatory sandbox. Finanstilsynet also participated in two meetings of the European Forum for Innovation Facilitators (EFIF).

The projects were completed in the autumn of 2020. Final reports describing the activities undertaken and the results achieved will be published on Finanstilsynet's website in early 2021. The projects have been of great use and were carried out in line with the objectives set for the regulatory sandbox.

In addition to the regulatory sandbox, Finanstilsynet has an information and guidance service targeting fintech firms. Through this initiative, Finanstilsynet responded to 32 enquiries in 2020, which was slightly higher than in 2019.



**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 Finanstilsynet's activities. 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 headed by a department director (Deputy Director General). Each department is 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. The department directors, the General Counsel and the Communications Director are members of Finanstilsynet's management team.

Finanstilsynet's activities are regulated by the Financial Supervision Act. This Act is supplemented by special laws governing the respective supervisory areas. Every four years, Finanstilsynet draws up a strategy which together with the Ministry of Finance's letter of allocation forms the basis for annual activity plans. 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. In addition to the annual report, Finanstilsynet reports on the activities carried out in accordance with the annual activity plan and the letter of allocation at end-April and end-August. 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 for 2020 consists of reports from the supervised sectors, which were published on Finanstilsynet's website in February/March 2021, and a brief annual report that is prepared and 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 two meetings with the Ministry of Finance in 2020. In addition, the Ministry of Finance is invited to hold a presentation at a seminar for the Board in the autumn.

Finanstilsynet bases its supervisory activities in all areas 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. This work was intensified in 2020, partly due to the Covid-19 pandemic and the need to make it easier for the employees to work from home.

An important streamlining measure during the Covid-19 pandemic was the rapid implementation of the planned migration to Microsoft Office 365 and Teams throughout the organisation. Home office solutions were quickly established. Finanstilsynet invested in laptops, extra screens, other IT equipment and additional office chairs that employees could bring home to enable them to do a good job from home during difficult working conditions. 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 international meetings.

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 and its main goal, which is to promote financial stability and well-functioning markets. In 2020, Finanstilsynet worked on a strategy for IT sourcing, which was adopted in January 2021. 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.

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 2020, Finanstilsynet entered into framework agreements on

- the operation and management of its data warehouse and analysis services for the 'Python' software
- advisory services relating to IT security, including technical assistance, incident management, etc.
- advisory services and assistance relating to the development of digital assistants/robotics (RPA) and the use of artificial intelligence (AI)

Finanstilsynet has initiated a number of projects testing machine reading and robotisation of various tasks. The project will help to develop knowledge and methods for use in several areas.

One of the improvement and streamlining measures is to use the 'Python' programming language for automation, data integration and data analysis. In 2020, Finanstilsynet adopted a new extraction solution that has streamlined the process to extract and use/analyse data.

A solution for receipt of reports through Altinn has been in use since 2005. Finanstilsynet needs to develop new forms on an ongoing basis, and forms that are in use need to be changed to reflect new regulations and new needs. Significant resources were devoted to developing Altinn forms in 2020, 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. The systems for periodic reporting by AIF managers and for reported data were further refined in 2020, and the quality of the data was improved. Finanstilsynet is in the process of developing a solution whereby fees to Finanstilsynet can be paid via Altinn.

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. After a cost-benefit analysis, it was decided not to proceed with the project.

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 will continue 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 the first half of 2020. An API was developed for Finanstilsynet's registry and will be put into production in 2021.

Finanstilsynet has started using the 'eFormidling' module based on common national guidelines, which will ensure coordinated and effective communication with the general public, government agencies and supervised institutions.

#### **Development tasks (competence and methodology development)**

Towards the end of 2020, Finanstilsynet mapped the digital competence of its employees in keeping with its digitalisation strategy. A competence strategy for the organisation is under preparation, aiming to make it better prepared to handle future tasks.

Finanstilsynet is also working on a common project methodology and project execution templates.

The entire organisation is continuously seeking to renew, simplify and streamline its supervision modules, risk assessments and supervisory methodologies. As part of this work, the potential for streamlining and innovation through digitalisation and the use of robotics (RPA) is assessed on an ongoing basis.

#### **Environmental responsibility – Finanstilsynet's work on the UN's Sustainable Development Goals**

The fact that most of its employees worked from home in 2020 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 compared with the previous year.

Finanstilsynet entered into an agreement for the return of technical equipment towards the end of 2020 to ease the process of wiping hard drives and allow technical equipment to be reused by, for example, school children. Thus far, 56 laptops and 9 network switches have been reused. This corresponds to a reduction of 41,300 kg CO<sub>2</sub>, or 88,500 litres of pure water.

Finanstilsynet aims to be an environmentally conscious organisation and plans to apply for environmental certification in 2021.

## 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 areas of supervision 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 areas of supervision, 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 ensure that resource input and results are in keeping with plans and priorities, and that any divergencies are explained and addressed. If necessary, the plans will be adapted to new needs and assumptions that may arise during the year.

The greatest risk to Finanstilsynet's supervisory activity relates to its ability to have adequate specialist expertise in the various areas of supervision. 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 archive system WebSak is regularly upgraded. In addition, the electronic solutions elnnsyn and eFormidling have been implemented. 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.

Responsibility for the procurement of IT solutions and follow-up of IT development has been assigned to the Digitalisation and Analysis Department. Steering groups have been established for each supervisory area. 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

2020. 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 agency also maintains preparedness for possible incidents in its own organisation.

Finanstilsynet's 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 the crisis management team (CMT) was activated. Both the CMT and the crisis response unit have held regular meetings during the pandemic. There was also ongoing close cooperation with Norges Bank and other government agencies, partly to ensure that uniform measures targeting employees were taken during the pandemic. Finanstilsynet participated in all cooperative conferences held by the Norwegian Directorate for Civil Protection (DSB) to follow developments in the infection situation and containment measures.

Finanstilsynet uses the emergency response and crisis management system CIM in its work on preparedness. Courses and training in CIM were arranged during 2020. Meetings of the crisis management team and the internal crisis support unit were registered in CIM along with the measures adopted. Other internal incidents were also registered in CIM.

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. During the pandemic, Finanstilsynet devoted extensive efforts to information security. The authority ordered an external review of the security of the Microsoft Office 365 configuration, as well as a review of the risk and vulnerability analysis for this program. The capacity and stability of the system were also improved by establishing a new internet line to Finanstilsynet. The authority offered its employees mobile phones with a good data package to give them a useful everyday digital tool and strengthen information security, thus avoiding the use of insecure networks.

In order to heighten their awareness, Finanstilsynet's employees participated in the national security month and received monthly e-learning courses aimed at

increasing their knowledge about email scams and online fraud. A security seminar was held for the management team, and a number of departments arranged information meetings on IT security.

During 2020, Finanstilsynet signed a framework agreement with a consulting firm to provide advisory services and undertake testing relating to IT security. The supplier also reviewed Finanstilsynet's management system for information security and provided guidance on the preparations required before connecting to the 'Nasjonalt BEGRENSET nett' (National LIMITED network).

Finanstilsynet was also involved in the planning of and preparations for the national civilian exercise 'Digital 2020' under the auspices of the Directorate for Civil Protection. The aim of the exercise was to carry out and handle a simulated digital attack on the Norwegian financial sector. Due to the pandemic and the containment measures, the exercise was scaled down.

As a result of the Covid-19 pandemic and the fact that hardly any employees were present at Finanstilsynet's premises, no fire and evacuation drills were conducted in cooperation with Norges Bank in 2020.



## **ASSESSMENT OF FUTURE PROSPECTS**

# ASSESSMENT OF FUTURE PROSPECTS

## Risks in the financial markets

### The Covid-19 pandemic

The world experienced an abrupt and sharp economic downturn when the Covid-19 pandemic triggered strict containment measures and extensive lockdowns in the spring of 2020. In Norway, strong government measures helped to mitigate the consequences for affected households and enterprises and to reduce financial market turmoil. Access to vaccines is expected to provide a basis for lifting the comprehensive containment measures, but considerable uncertainty still attends developments in the real economy and the financial markets. It may take a long time for economic activity to return to pre-pandemic levels, and there is a risk of a significant fall in the securities and property markets.

### Digitalisation – opportunities and risks

Digitalisation and tailored regulations have enabled new players to challenge established institutions in areas such as payment services. Finanstilsynet is keeping a close watch on developments within new financial technology and new international regulations in this area. Supervisory activity aimed at new entrants and business models must ensure robustness and protect consumer interests.

Digitalisation may also entail greater vulnerability. The risk of undesirable incidents resulting from operational failures or cybercrime has increased, and the spillover effects have greater consequences. Institutions need a deep understanding of risk and good systems. This must be followed up through supervision.

### Climate risk

Climate change and the transition to a low-emission society have consequences for the financial market and financial institutions and may affect financial stability. It is important that financial institutions understand the risks they are exposed to and have adequate capital to handle such risks, and that investors receive good information about climate risk from issuers of financial instruments.

There has been a significant increase in the offering of sustainable investment products, so-called ESG products, in recent years. Green investment products are actively marketed, and strong price growth on many green investment products may also have helped to increase demand for such products. There is a risk that investment products are marketed as sustainable without actually being so, so-called greenwashing. The sharp rise in investments in green financial products has also heightened the risk of overpricing and financial bubbles in this segment.

Both the financial industry and the authorities need to strengthen their handling of climate risk. Exposure

analyses, sensitivity analyses and stress tests of climate scenarios are tools that can provide greater insight into the climate risk to which financial institutions and the financial system are exposed. Broad-based international cooperation has been initiated in this area, and a comprehensive regulatory framework is under preparation in the EEA. Cooperation with international supervisory authorities constitutes a key part of Finanstilsynet's work on climate risk.

### Illegal activity

The provision of financial services without the necessary licence contributes to weakening the confidence in the financial markets and undermine the activities of institutions that have the required licences and operate within prevailing rules. Such activities are often associated with fraud and other financial crime. Finanstilsynet is increasingly expected to follow up illegal activities, for example market players that operate outside or on the verge of regulation and supervision and give a false impression of being regulated and under supervision. Monitoring illegal activity is resource-demanding, and the firms may be small. When setting priorities, supervisory activities aimed at these firms must be weighed against supervisory activities aimed at licensed firms.

Finanstilsynet publishes market warnings against enterprises and institutions that do not have the necessary licences and order them to terminate operations. Some cases are also reported to the police.

### Money laundering and terrorist financing

Money laundering and terrorist financing may bring heavy costs to society. Both in Norway and the rest of Europe, serious deficiencies have been revealed in institutions' compliance with anti-money laundering (AML) and counter-terrorist financing legislation. Prevention of money laundering and terrorist financing will require closer cooperation on risk management, analyses and measures. Finanstilsynet has increased its supervision of institutions' compliance with the AML legislation. A further increase in supervisory activity in this area must be considered on the basis of Finanstilsynet's total supervisory resources.

## Investor and consumer protection

Financially sound, well-capitalised financial institutions and well-functioning financial markets are fundamental consumer interests. Consumers should be well protected when purchasing and selling financial products and property. They should be able to base their decisions on good information and neutral advice. The transition from defined-benefit to defined-contribution occupational pension schemes in large parts of the labour market implies that a number of employees must make

investment choices and carry the investment return risk themselves, which has a profound impact on their pensions.

Institutions offering investment services are subject to important consumer and investor protection rules. Individuals providing investment advice or information about financial instruments, investment services or associated services must have relevant knowledge and expertise.

Enterprises' financial reporting is vital to investor protection. Due to the uncertain future prospects for the Norwegian economy as a result of the pandemic, it has become more challenging to set assumptions for valuations in financial statements. This applies in particular to estimates that require discretionary judgment. It is important that the enterprises are aware of this, and that the auditors exercise critical and good professional discretion when auditing annual accounts.

## A single EEA financial market

The financial industry's cross-border activities and provision of financial services within the EEA are growing in magnitude. In addition, there is increasing international cooperation between supervisory authorities.

Through its participation in the European Supervisory Authorities and EFTA, Finanstilsynet is involved in developing relevant regulations for the financial sector in the EEA. Once the regulations have been adopted, there is limited scope for national discretion. EU regulations in the financial market area are comprehensive and complex, and supervised institutions increasingly need guidance.

The European supervisory cooperation is important in order to be best able to identify risks and ensure sound supervision of markets, groups and institutions across national borders. In the period ahead, the European

Supervisory Authorities will prioritise efforts to harmonise supervisory practices and implement coordinated supervisory activities. Requirements for harmonised European supervisory practices and supervisory activities will restrict Finanstilsynet's scope of action with respect to priorities and working methods.

## Prioritisation of supervisory activity

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

Supervisory activities must focus especially on the risk and consequences of serious incidents and rule violations. This is essential to enable Finanstilsynet to reach its goal of financial stability and well-functioning markets.

Digitalisation and the use of IT tools have contributed to, and will continue to contribute to, streamlining through automation, more efficient reporting and analysis solutions and better information and interaction channels. Relevant and accessible data form an important basis for supervisory activity, enabling early identification of risks in both individual institutions and the markets.

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-demanding tasks while maintaining a satisfactory level of activity in all supervisory areas.



**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 2020.

The Storting determines Finanstilsynet's expenditure budget and revenue budget as part of the government budget. The 2020 operating expenditure budget (item 01) originally totalled NOK 419.9 million. The budget was later increased by NOK 5.4 million to reflect higher expenditure due to the Covid-19 pandemic and the resulting follow-up of the financial markets, and by NOK 1.4 million to compensate for the wage settlement. Including NOK 9.5 million carried forward from 2019, the aggregate disposable operating budget came to NOK 436.2 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 2020, there was an appropriation of NOK 24.1 million which, together with NOK 7.3 million carried forward from 2019, brought disposable funds to NOK 31.4 million. The funds are used to modernise registers and the reporting from the supervised institutions, case processing tools and Finanstilsynet's online solutions. Finanstilsynet's digitalisation strategy specifies its priorities for 2020–2022. Solutions for electronic data exchange were high on the priority list in 2020. The work to develop and adapt IT systems to meet European reporting requirements and to carry out necessary analysis of available information has been ongoing for several years and will continue over the coming years.

The appropriation report shows that aggregate expenditure in 2020 came to NOK 469.8 million, an increase of 4.5 per cent from 2019. The appropriation report also includes VAT charged to the government VAT netting arrangement. The expenditure underrun for item 01 *Operating expenditure* was just over NOK 10.8 million, which Finanstilsynet has applied to carry forward to 2021. The expenditure underrun for item 45 was NOK 4.2 million, which Finanstilsynet has also applied to carry forward to 2021. The calculation of underruns is shown in Note B.

Overall salary expenditure came to NOK 337.8 million – 7.9 per cent more than in 2019. Salaries account for 77.1 per cent of the total amount expensed in 2020. The budget increase in 2019 and 2020 was primarily used to hire more employees. The number of FTEs worked in 2020 was 292, compared with 279 in 2019. See a further account of the number of employees in Finanstilsynet on page 13. The growth in salary expenditures can also be

explained by rising pension premiums to the Norwegian Public Service Pension Fund. Pension premium payments totalled NOK 45.1 million in 2020, up 31.6 per cent from 2019. The accounting treatment of pensions was changed in 2020. In order to follow the accounting method laid down in circular R-118 'Budgeting and accounting for pension premiums for public enterprises', seven instalments were expensed in 2020, compared with six instalments in previous years. This change resulted in non-recurring expenses of NOK 5.9 million. This extraordinary expenditure was taken into account in the budget appropriation.

Disbursements for investment and other disbursements to operations (see reporting by natural classification) were down 3.6 per cent from 2019 as a result of the Covid-19 pandemic and changes in the consumption pattern. Several expenditure items, such as travel, meetings and competence enhancement, were lower than in a normal year. At the same time, there was a rise in expenditure as a result of a weaker than expected krone exchange rate and the need for both new IT systems and equipment upgrades.

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 2020 were NOK 11.2 million, compared with NOK 10.9 million in 2019. Compared with the budget, there was a revenue underrun of NOK 0.3 million due to the fact that Finanstilsynet vetted fewer prospectuses than expected in 2020. Fees for the vetting of prospectuses came to NOK 10.7 million in 2020, compared with NOK 10.3 million in 2019.

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 supervision levies came to NOK 453 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 2020 was communicated to the institutions for payment in May 2020. Levies were charged to a total of 14,899 entities under supervision, including 88 foreign branches. The largest category of supervised entities is external accountants, numbering 11,625 at the start of 2020.

Relinquishment of gain and violation penalties are entered under Finanstilsynet's revenue chapter. These revenues are not part of the basis for calculating the

supervisory levy. Fines totalling NOK 4.3 million were paid in 2020, compared with NOK 29.5 million in 2019.

The Office of the Auditor General audits the activity of Finanstilsynet. The audit report for 2020 is due to be available by 1 May 2021 and will be published on Finanstilsynet's website.

Oslo, 18 February 2021



**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. Finanstilsynet recognises pension expenses in the accounts based on the premium calculated for the accounting year. For 2020, a pension premium of 19.2 per cent was computed on fixed salaries up to 12G, compared with 18.65 per cent in 2019 and 15.55 per cent in 2018. 2 percentage points of this is withheld from the employee. With effect from 2020, the pension premium is accounted for in accordance with the provisions laid down in the Ministry of Finance's circular R-2020 'Budgeting and accounting for pension premiums for public enterprises'. With effect from 2021, Finanstilsynet will also follow the provisions in circular R-118 for the calculation of pension premiums. For a transitional period, however, the insufficient pension premium payments in 2019 and possibly 2020 must be covered.

Employer's contributions are computed and entered in the accounts to show the total salary expenditure.

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 initially applies up to and including the 2020 accounting year.

#### Reporting by natural classification

The reporting by natural classification with notes shows Finanstilsynet's reports to the central government accounts in 2020 based on the standard chart of accounts in the accounting year with comparatives for 2019.

Note 8 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 7: Appropriation report for the accounting year 2020, itemised**

Expenditure chapter	Chapter name	Item	Item text	Note	Total appropriation	Accounts 2020	Expense overrun (-) or underrun	Entered by others in accordance with authorisations	Deviation from allocation
1602	Finanstilsynet	01	Operating expenses	A, B	436,189,000	425,343,777	10,845,223		
1602	Finanstilsynet	45	Major procurements and maintenance (IT)	A, B	31,450,000	27,235,817	4,214,183		
1633	Govt. VAT netting arrangement	01	Operating expenses		0	17,217,398			
Total expensed					467,639,000	469,796,992			

Revenue chapter	Chapter name	Item	Item text	Note	Total appropriation	Accounts 2020	Revenue overrun or underrun (-)	Entered by others in accordance with authorisations	Deviation from allocation
4602	Finanstilsynet	03	Administrative processing fees	A, B	11,500,000	11,044,000	-456,000	193,683	-262,317
4602	Finanstilsynet	86	Relinquishment of gain, violation penalties etc.	A, B	4,000,000	0	-4,000,000	4,327,907	327,907
5580	Sectoral levies set by Ministry of Finance	70	Finanstilsynet, contributions from supervised entities	A, B	450,000,000	42,591	-449,957,409	450,100,647	143,238
5700	Contributions to the National Insurance Scheme	72	Employer's contribution		0	41,608,107			
Total taken to revenue					465,500,000	52,694,698			

**Net amount reported to the appropriation account**
**417,102,294**
**Capital accounts**

60050601	Norges Bank CA / receipts	20,498,183
60050602	Norges Bank CA / payments	-430,911,306
716106	Change in outstanding account with the Treasury	-6,689,170
Total reported		0

**Holdings reported to the capital account (31 Dec.)**

		31 Dec. 2020	31 Dec. 2019	Change
716106	Outstanding account with the Treasury	-20,543,372	-13,854,202	-6,689,170

**Note A Explanation of overall allocation**

Chapter and item	Brought forward from last year	Current year's allocations	Overall allocation	
1602 01	Operating expenses	9,477,000	42,712,000	436,189,000
1602 45	Major procurements and maintenance (IT)	7,350,000	24,100,000	31,450,000
4602 03	Administrative processing fees		11,500,000	11,500,000
4602 86	Relinquishment of gain, violation penalties etc		4,000,000	4,000,000
5580 70	Contributions from supervised entities		450,000,000	450,000,000

## 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		10,845,223	0	10,845,223	0	10,845,223	21,335,600	10,845,223
1602 45	'May be brought forward'	4,214,183	0	4,214,183	0	4,214,183	48,200,000	4,214,183

\* 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 'may be brought forward'. See annual circular R-2 for further details on transfer of unutilised appropriations.

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	-456,000	193,683	-262,317
4602 86 Relinquishment of gain, violation penalties etc.	-4,000,000	4,329,207	329,207
5580 70 Contributions from supervised entities	-449,957,409	450,100,647	143,238

## Explanation of use of budget authorisations

### Debit authorisations received

As a result of the government's liability, Finanstilsynet (then Kredittilsynet), by a letter from the Ministry of Finance of 21 March 2000, was authorised to consider and make decisions in cases concerning 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 2020.

### Headword 'may be brought forward'

Finanstilsynet's appropriation in item 45 is allocated under the headword 'may be 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 2020.

### Possible amount to be brought forward

The expenditure underrun in item 01 is calculated at NOK 10,845,000. 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 2021. The entire unutilised appropriation of NOK 4,214,000 in item 45 may be brought forward upon application.

**Table 8: Statement of reporting by natural classification 31 Dec. 2020**

	Note	2020	2019
<b>Operating revenues reported to the appropriation account</b>			
Receipts of fees	1	11,044,000	10,636,000
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		11,044,000	10,636,000
<b>Operating expenses reported to the appropriation account</b>			
Disbursements to salaries	2	337,766,335	313,105,638
Other disbursements to operations	3	111,365,284	113,715,443
Total disbursements to operations		449,131,619	426,821,082
<b>Net reported operating expenses</b>		<b>438,087,619</b>	<b>416,185,082</b>
<b>Investment and financial revenues reported to the appropriation account</b>			
Receipts of financial revenues	4	0	0
Total investment and financial revenues		0	0
<b>Investment and financial expenses reported to the appropriation account</b>			
Disbursement to investments	5	3,447,975	5,337,003
Disbursement to purchase of equities	5,8 B	0	0
Disbursement to financial expenses	4	0	0
Total investment and financial expenses		3,447,975	5,337,003
<b>Net reported investment and financial expenses</b>		<b>3,447,975</b>	<b>5,337,003</b>
<b>Collection activities and other transfers to central govt.</b>			
Receipts of taxes, charges, fees etc.	6	42,591	10,643
Total collection activities and other transfers to central govt.		42,591	10,643
<b>Grant management and other transfers from central govt.</b>			
Disbursements of grants and benefits	7	0	0
Total grant management and other transfers from central govt.		0	0
<b>Revenues and expenses reported on central govt. chapter</b>			
Group life insurance account 1985 (ref. chap. 5309, revenues)		0	0
Employer's contribution account 1986 (ref. chap. 5700, revenues)		41,608,107	38,942,604
VAT netting arrangement account 1987 (ref. chap. 1633, expenses)		17,217,398	17,278,392
Net expenses reported on central govt. chapter		-24,390,709	-21,664,212
<b>Net reported to the appropriation account</b>		<b>417,102,294</b>	<b>399,847,230</b>
<b>Overview of outstanding accounts with the Treasury</b>			
<b>Assets and liabilities</b>		<b>2020</b>	<b>2019</b>
Receivables		10,000	36,000
Cash		0	0
Bank accounts with central govt. funds outside Norges Bank		0	0
Tax withholdings owed and other withholdings		-13,888,583	-13,743,830
Public charges owed		-117,235	-146,372
Other liabilities		-6,547,554	0
<b>Total outstanding account with the Treasury</b>	<b>8</b>	<b>-20,543,372</b>	<b>-13,854,202</b>

<b>Note 1 Receipts from operations</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
<i>Receipts from fees and charges</i>		
Prospectus control fees	10,744,000	10,336,000
Fees from payment and e-money institutions	270,000	240,000
Fees from account information service providers	30,000	60,000
<b>Total receipts from fees and charges</b>	<b>11,044,000</b>	<b>10,636,000</b>
<i>Receipts from grants and transfers</i>		
<b>Total receipts from grants and transfers</b>	<b>0</b>	<b>0</b>
<i>Receipts of sale proceeds and rents</i>		
<b>Total receipts of sale proceeds and rents</b>	<b>0</b>	<b>0</b>
<i>Other receipts</i>		
<b>Total other receipts</b>	<b>0</b>	<b>0</b>
<b>Total receipts from operations</b>	<b>11,044,000</b>	<b>10,636,000</b>

<b>Note 2 Disbursements to salaries</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Salaries	251,921,252	240,991,827
Employer's contribution	41,608,107	38,942,604
Pension expenses	45,076,045	34,244,229
Sickness benefit and other refunds (-)	-6,499,391	-7,366,579
Other benefits	5,660,322	6,293,558
<b>Total disbursements to salaries</b>	<b>337,766,335</b>	<b>313,105,638</b>
<b>Number of FTEs worked</b>	<b>292</b>	<b>279</b>

The number of FTEs worked has been calculated in accordance with the definition in PM-2020-13.  
In previous annual accounts, the number of FTEs equals the number of staff at year-end, adjusted for FTE percentage.

<b>Note 3 Other disbursements to operations</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Rent	19,125,207	18,814,892
Maintenance of own buildings and facilities	0	0
Maintenance and conversion of rented premises	1,716,714	2,716,074
Other expenses on operation of property and premises	7,491,109	7,094,802
Repairs and maintenance of machinery, equipment etc.	1,085,412	384,890
Minor equipment procurements	655,368	377,838
Lease of machinery, furniture etc.	13,129,577	10,279,861
Purchases of consultant services	27,035,309	32,481,827
Purchases of external services	17,861,307	11,885,101
Travel and per diem	1,485,509	7,407,247
Other operating expenses	21,779,771	22,272,911
<b>Total other disbursements to operations</b>	<b>111,365,284</b>	<b>113,715,443</b>

<b>Note 4 Financial revenues and financial expenses</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
<i>Receipts of financial revenues</i>		
Interest revenues	0	0
Foreign exchange gain	0	0
Other financial revenues	0	0
<b>Total receipts of financial revenues</b>	<b>0</b>	<b>0</b>

<i>Disbursement of financial expenses</i>		
Interest expenses	0	0
Foreign exchange loss	0	0
Other financial expenses	0	0
<b>Total receipts of financial revenues</b>	<b>0</b>	<b>0</b>

<b>Note 5 Disbursed to investments and purchase of equities</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
<i>Disbursed to investments</i>		
Intangible assets etc.	0	2,289,850
Sites, buildings and other real property	0	0
Infrastructure assets	0	0
Machinery and vehicles	0	0
Operating movable property, furniture, tools etc.	3,447,975	3,047,153
<b>Total disbursed to investments</b>	<b>3,447,975</b>	<b>5,337,003</b>

<i>Disbursed to purchase of equities</i>		
Capital contributions	0	0
Bonds	0	0
Investments in equities and participations	0	0
<b>Total disbursed to purchase of equities</b>	<b>0</b>	<b>0</b>

<b>Note 6 Collection activity and other transfers to central govt.</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Contributions from supervised entities	42,591	10,643
<b>Total collection activity and other transfers to central govt.</b>	<b>42,591</b>	<b>10,643</b>

<b>Note 7 Grant management and other transfers from central govt.</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
<b>Total grant management and other transfers from central govt.</b>	<b>0</b>	<b>0</b>

## Note 8 Final and preliminary account with the Treasury

### Part A Difference between booked and reported account with the Treasury

		31 Dec. 2020 Specification of booked account with Treasury	31 Dec. 2020 Specification of reported account with Treasury	Difference
<b>Financial fixed assets</b>	Investments in equities and participations	0	0	0
	Bonds	0	0	0
	<i>Total</i>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current assets</b>	Accounts receivable	0	0	0
	Other receivables	10,000	10,000	0
	Bank deposits, cash etc.	0	0	0
	<i>Total</i>	<b>10,000</b>	<b>10,000</b>	<b>0</b>
<b>Long-term liabilities</b>	Other long-term liabilities	0	0	0
	<i>Total</i>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Short-term liabilities</b>	Accounts payable	-8,262,063	0	-8,262,063
	Tax deductions owed	-13,127,239	-13,888,583	761,344
	Public charges owed	-123,798	-117,235	-6,563
	Other short-term liabilities	0	-6,547,554	6,547,554
	<i>Total</i>	<b>-21,513,099</b>	<b>-20,553,372</b>	<b>-959,727</b>
<b>Total</b>		<b>-21,503,099</b>	<b>-20,543,372</b>	<b>-959,727</b>

### 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						1,371,851	
<b>Carrying amount</b> <b>31 Dec. 2020</b>						<b>1,371,851</b>	<b>0</b>

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



**FINANSTILSYNET**

Revierstredet 3  
P.O. Box 1187 Sentrum  
NO-0107 Oslo

Tel. +47 22 93 98 00  
post@finansstilsynet.no  
finansstilsynet.no

