FINANSTILSYNET
The Financial Supervisory Authority of Norway

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Regulations on capital requirements and national adaptation of CRR/CRD IV (CRR/CRD IV regulations)

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Part I. Scope and incorporation provisions

Section 1. ***Scope***

These regulations apply to banks, mortgage companies, finance companies and financial holding companies that are not insurance groups. The regulations also apply to investment firms, fund management companies authorised to provide portfolio management services, managers of alternative investment funds authorised to provide portfolio management services and parent companies of such entities covered by the consolidation requirement under the Securities Trading Act, Section 9-46, subsection (1) no. 3.

Part III of the regulations on the leverage ratio requirement applies to banks, mortgage companies, finance companies, financial holding companies that are not insurance groups, and investment firms that are licensed to provide investment services as mentioned in Section 2-1, subsection (1) nos. 3 and 6 of the Securities Trading Act.

Section 11 of the regulations on liquidity coverage requirements in significant currencies applies to banks, mortgage companies and financial holding companies that are not insurance groups.

Finanstilsynet may decide that the provisions of these regulations shall also apply to other owner institutions, as mentioned in Section 17-6, subsection (2) letter (c) of the Financial Institutions Act.

Section 2. ***Incorporation provisions and other national adaptations***

EEA Agreement Annex IX Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (CRR), as amended by

a. Regulation (EU) 2017/2395 of the European Parliament and of the Council
b. Commission Delegated Regulation (EU) 2015/62
c. Regulation (EU) 2016/1014 of the European Parliament and of the Council applies as a regulation with the adaptations that follow from Annex IX, Protocol 1 to the Agreement and the Agreement in general. References in laws or regulations to CRR mean Regulation No. (EU) 575/2013 as implemented in the first sentence.

The following supplementary regulations apply as Norwegian regulations with the adaptations that follow from Annex IX, Protocol 1 to the EEA Agreement and the Agreement in general:

1. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 241/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for own funds requirements for institutions, as amended by
   a. Commission Delegated Regulation (EU) 2015/488
   b. Commission Delegated Regulation (EU) 2015/850
   c. Commission Delegated Regulation (EU) 2015/923
2. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, as amended by:
   a. Commission Implementing Regulation (EU) 2015/79

b. Commission Implementing Regulation (EU) 2015/227
c. Commission Implementing Regulation (EU) 2015/1278
d. Commission Implementing Regulation (EU) 2016/313
e. Commission Implementing Regulation (EU) 2016/322
f. Commission Implementing Regulation (EU) 2016/428
g. Commission Implementing Regulation (EU) 2016/1702
h. Commission Implementing Regulation (EU) 2017/1443

3. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2015/61 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to liquidity coverage requirement for credit institutions
4. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2015/585 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the specification of margin periods of risk
5. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2016/100 laying down implementing technical standards specifying the joint decision process with regard to the application for certain prudential permissions pursuant to Regulation (EU) No. 575/2013 of the European Parliament and of the Council
6. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 2016/101 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for prudent valuation under Article 105 (14)
7. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 710/2014 laying down implementing technical standards with regard to conditions of application of the joint decision process for institution-specific prudential requirements according to Directive 2013/36/EU of the European Parliament and of the Council
8. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 926/2014 laying down implementing technical standards with regard to standard forms, templates and procedures for notifications relating to the exercise of the right of establishment and the freedom to provide services according to Directive 2013/36/EU of the European Parliament and of the Council
9. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 1151/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards on the information to be notified when exercising the right of establishment and the freedom to provide services
10. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2016/98 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for specifying the general conditions for the functioning of colleges of supervisors
11. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2016/99 laying down implementing technical standards with regard to determining the operational functioning of the colleges of supervisors according to Directive 2013/36/EU of the European Parliament and of the Council
12. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council
13. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 183/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to

regulatory technical standards for specifying the calculation of specific and general credit risk adjustments

14. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 523/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for determining what constitutes the close correspondence between the value of an institution's covered bonds and the value of the institution's assets
15. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 525/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the definition of market
16. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 526/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for determining proxy spread and limited smaller portfolios for credit valuation adjustment risk
17. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 527/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration
18. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 528/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for non-delta risk of options in the standardised market risk approach, as amended by:
    a. Commission Delegated Regulation (EU) 2016/861
19. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 529/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for assessing the materiality of extensions and changes of the Internal Ratings Based Approach and the Advanced Measurement Approach, as amended by:
    a. Commission Delegated Regulation (EU) 2015/942
20. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 530/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards further defining material exposures and thresholds for internal approaches to specific risk in the trading book
21. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 591/2014 on the extension of the transitional periods related to own funds requirements for exposures to central counterparties in Regulation (EU) No. 575/2013 and Regulation (EU) No. 648/2012 of the European Parliament and of the Council
22. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 602/2014 laying down implementing technical standards for facilitating the convergence of supervisory practices with regard to the implementation of additional risk weights according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council
23. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 604/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile, as amended by:
    a. Commission Delegated Regulation (EU) 2016/861

24. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 625/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council by way of regulatory technical standards specifying the requirements for investors, sponsors, original lenders and originator institutions relating to exposures to transferred credit risk, as amended by
    a. Commission Delegated Regulation (EU) 2015/1798
25. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 650/2014 laying down implementing technical standards with regard to the format, structure, contents list and annual publication date of the information to be disclosed by competent authorities in accordance with Directive 2013/36/EU of the European Parliament and of the Council, as amended by
    a. Commission Implementing Regulation (EU) 2019/912
26. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 1152/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards on the identification of the geographical location of the relevant credit exposures for calculating institution-specific countercyclical capital buffer rates
27. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 342/2014 supplementing Directive 2002/87/EC of the European Parliament and of the Council and Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the application of the calculation methods of capital adequacy requirements for financial conglomerates
28. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 945/2014 laying down implementing technical standards with regard to relevant appropriately diversified indices according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council
29. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 1030/2014 laying down implementing technical standards with regard to the uniform formats and date for the disclosure of the values used to identify global systemically important institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, as amended by:
    a. Commission Implementing Regulation (EU) 2016/818
30. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 1187/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council as regards regulatory technical standards for determining the overall exposure to a client or a group of connected clients in respect of transactions with underlying assets
31. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2015/233 laying down implementing technical standards with regard to currencies in which there is an extremely narrow definition of central bank eligibility pursuant to Regulation (EU) No. 575/2013 of the European Parliament and of the Council
32. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2015/1555 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440
33. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2015/1556 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the transitional treatment of equity exposures under the IRB approach

34. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 2015/2197 laying down implementing technical standards with regard to closely correlated currencies in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council
35. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2015/2344 laying down implementing technical standards with regard to currencies with constraints on the availability of liquid assets in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council
36. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2016/200 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council
37. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2016/709 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions for the application of the derogations concerning currencies with constraints on the availability of liquid assets
38. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2016/1646 laying down implementing technical standards with regard to main indices and recognised exchanges in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms
39. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2016/1799 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for credit risk in accordance with Articles 136(1) and 136(3) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, as amended by:
    a. Commission Implementing Regulation (EU) 2018/634
40. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2016/1801 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council
41. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2017/72 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying conditions for data waiver permissions
42. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2017/208 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on an institution's derivatives transactions
43. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 1222/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically important institutions and for the definition of subcategories of global systemically important institutions, as amended by:
    a. Commission Delegated Regulation (EU) 2016/1608
44. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2016/2070 laying down implementing technical standards for templates, definitions and IT-solutions to be used by institutions when reporting to the European Banking Authority and to competent authorities in accordance with Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council, as amended by:
    a. Commission Implementing Regulation (EU) 2017/1486

    b. Commission Implementing Regulation (EU) 2019/439

45. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2017/180 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for benchmarking portfolio assessment standards and assessment-sharing procedures
46. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 1317/2014 on the extension of the transitional periods related to own funds requirements for exposures to central counterparties in Regulations (EU) No. 575/2013 and (EU) No. 648/2012 of the European Parliament and of the Council
47. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2015/880 on the extension of the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulations (EU) No. 575/2013 and (EU) No. 648/2012 of the European Parliament and of the Council
48. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2015/2326 on the extension of the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulation (EU) No. 575/2013 and Regulation (EU) No. 648/2012 of the European Parliament and of the Council
49. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2016/892 on the extension of the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulation (EU) No. 575/2013 and Regulation (EU) No. 648/2012 of the European Parliament and of the Council
50. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2016/2227 on the extension of the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulations (EU) No.575/2013 and (EU) No. 648/2012 of the European Parliament and of the Council
51. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2017/954 on the extension of the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulations (EU) No. 575/2013 and (EU) No. 648/2012 of the European Parliament and of the Council
52. EEA Agreement Annex IX Commission Delegated Regulation (EU) 2017/1230 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards further specifying the additional objective criteria for the application of a preferential liquidity outflow or inflow rate for cross-border undrawn credit or liquidity facilities within a group or an institutional protection scheme
53. EEA Agreement Annex IX Commission Delegated Regulation (EU) No. 524/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the information that competent authorities of home and host Member States supply to one another
54. EEA Agreement Annex IX Commission Implementing Regulation (EU) No. 620/2014 laying down implementing technical standards with regard to information exchange between competent authorities of home and host Member States, according to Directive 2013/36/EU of the European Parliament and of the Council
55. EEA Agreement Annex IX Commission Implementing Regulation (EU) 2017/461 laying down implementing technical standards with regard to common procedures, forms and templates for the consultation process between the relevant competent authorities for proposed acquisitions of qualifying holdings in credit institutions as referred to in Article 24 of Directive 2013/36/EU of the European Parliament and of the Council

The following equivalence decisions apply as Norwegian regulations with the adaptations that follow from Annex IX, Protocol 1 to the EEA Agreement and the Agreement in general:

1. EEA Agreement Annex IX Commission Implementing Decision 2014/908/EU on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, as amended by:
   a. Commission Implementing Decision (EU) 2016/230
   b. Commission Implementing Decision (EU) 2016/2358
   c. Commission Implementing Regulation (EU) 2014/536

For investment firms, part four of the CRR on large exposures also applies to investment firms licensed to provide the investment services mentioned in Section 2-1, subsection (1) nos. 2, 8 and 9 of the Securities Trading Act. Part six of the CRR on liquidity does not apply to investment firms.

The regulation on the liquidity coverage requirement does not apply to finance companies, investment firms, management companies and AIF managers. The regulation on the leverage ratio requirement does not apply to investment firms that are not licensed to provide the investment services mentioned in Section 2-1, subsection (1) no. 3 or 6 of the Securities Trading Act, nor to management companies and AIF managers.

Finanstilsynet may exempt finance companies, investment firms, management companies and AIF managers from other provisions of the regulations if they are unreasonably challenging to fulfil in view of their business activities.

Part II. Supplementary national rules for the calculation of capital requirements

Section 3. ***Calculation of capital buffer requirements***

The risk-weighted exposure amount used to calculate the capital conservation buffer, the systemic risk buffer, the buffer for systemically important institutions and the counter-cyclical capital buffer, as specified in Section 14-3 of the Financial Institutions Act and Section 9-42 of the Securities Trading Act, is laid down in CRR, Article 92(3).

The institutions shall calculate their own institution-specific systemic risk buffer and countercyclical capital buffer requirements. For Norwegian exposures, the rates set out in Section 27 and Section 33 shall be used.

For exposures to other EEA states, the systemic risk buffer rate set out in Section 27 shall be used. For exposures to other EEA states, the countercyclical capital buffer rate set by the authorities in the relevant state shall be used.

For exposures to states not covered by the EEA Agreement, the third subsection applies equally. For exposures to states not covered by the EEA Agreement that have not established a countercyclical capital buffer requirement, the rate set out in Section 33 nevertheless applies. The Ministry of Finance may set a different rate for the systemic risk buffer and the countercyclical capital buffer for exposures to states not covered by the EEA Agreement.

Finanstilsynet may establish further rules on the calculation of entity-specific systemic risk buffer and countercyclical capital buffer requirements.

Section 4. ***Minimum average risk weight requirement***

Section 5. ***CET1 capital***

The following items are eligible for inclusion in common equity Tier 1 (CET1) capital pursuant to CRR, Article 26:

1. Paid-up ordinary share capital
2. Paid-up ordinary equity certificate capital in institutions that do not have members' contributions
3. Members' contributions subject to prior consent from Finanstilsynet.
4. Paid-up share capital and equity certificate capital conferring preferential dividend rights, provided that such dividend does not exceed 125 per cent of dividends on ordinary share capital and equity certificate capital. Overall dividends must not exceed 105 per cent of what the dividends would have amounted to without preferential dividend rights.
5. Paid-up group contributions to subsidiaries and sister companies that are deducted from the own funds of the contributing company.
6. Share premium reserve
7. Dividend equalisation fund
8. Compensation reserve
9. Ownerless capital
10 Donations fund
11 Unrealised gains reserve
12. Reserve for valuation variances
13. Accumulated other comprehensive income not included in other items
14. Other retained earnings
15. Accumulated profits in accordance with auditor-certified interim accounts or annual financial statements approved by the Board of Directors. The amount shall be reduced by foreseeable tax and dividends, and the loss potential shall be reviewed in conformity with regulations governing the accounting treatment of loans and guarantees provided by financial institutions[1] or international accounting standards (IFRS 9).

Section 6. ***Taking account of mortgages on immovable property when assigning risk weights***

Mortgages on commercial property shall not be taken into account when assigning risk weights in accordance with CRR Article 124(2). Exposures secured on commercial property in another EEA state may be assigned the risk weight that the relevant national authorities permit for such exposures.

Exposures secured on holiday homes in Norway that are or will be used by the owner or are rented out by the owner within 60 per cent of the property's appraised value, may be assigned a risk weight of 35 per cent in accordance with CRR Article 124(2).

When applying the IRB approach, LGD for retail exposures secured on residential property in Norway that are not guaranteed by a central government shall be adjusted upwards by a common factor if this is necessary to achieve an EAD-weighted average LGD of at least 20 per cent. LGD for retail exposures secured on residential property in another EEA state that are not guaranteed by a central government shall be adjusted upwards by a common factor if this is necessary to achieve

[1] As defined in Section 1-3 of the Norwegian Financial Institutions Act.

an EAD-weighted average LGD of at least 10 per cent or a higher minimum rate set by national authorities.

Section 7. ***[Material credit obligation for identifying non-performing exposures***

Institutions shall set limits for what, according to CRR Article 178.1(b), is not considered a material credit obligation. The limits shall not exceed:

a) for retail exposures and exposures to natural persons in other exposure classes: NOK 1 000 and 1 per cent of the total exposure to the counterparty on the institution's balance sheet, including the parent company and subsidiaries, but excluding equity exposures
b) for other exposures: NOK 2 000 and 1 per cent of the total exposure to the counterparty on the institution's balance sheet, including the parent company and subsidiaries, but excluding equity exposures.]

Will enter into force on 31 December 2020.

Part III. Leverage ratio requirement

Section 8. ***Leverage ratio***

The leverage ratio shall be calculated in accordance with CRR Article 429, as amended by Commission Regulation (EU) 2015/62, cf. Section 2, first paragraph.

Institutions as mentioned in Section 1, second subsection shall at all times have a leverage ratio that represents minimum 3 per cent of the institution's exposure (exposure measure).

In addition, all banks are required to have a leverage ratio buffer of minimum 2 per cent of the bank's exposure (exposure measure). In addition, systemically important banks are required to have a leverage ratio buffer of minimum 1 per cent of the bank's exposure measure. Finanstilsynet may grant banks that use the standardised approach to calculate credit risk an exemption from the requirement in the first sentence. In special cases, the Ministry of Finance may reduce the requirement in the second sentence.

Institutions that do not meet the requirements set out in the second and third subsection shall, within five business days after the date of non-compliance, send a plan to Finanstilsynet setting a time frame for the necessary increase in the institution's leverage ratio. The provisions of Section 9 of the regulations do not apply in the event of non-compliance with the leverage ratio buffer requirement.

Part IV. Consequences of non-compliance with capital requirements

Section 9. ***Minimum own funds requirement***

If an institution is in breach with the minimum own funds requirements, the provisions of chapter 20 or 21 of the Financial Institutions Act apply.

Section 10. ***Capital buffer requirement***

If an institution fails to meet the combined capital buffer requirements (the sum of the capital conservation buffer, the systemic risk buffer, the buffer for systemically important financial institutions (SIFIs) and the counter-cyclical capital buffer, as specified in Section 14-3 of the Financial Institutions Act and Section 9-42 of the Securities Trading Act), a capital plan shall be sent to Finanstilsynet within five business days after the date of non-compliance. The capital plan shall at least contain the following:

1. estimated revenues and costs and a balance sheet forecast, and
2. a plan and time frame for an increase in the institution’s capital adequacy to meet the combined buffer requirement.

If an institution fails to meet the combined buffer requirement, distributions referred to in this subsection can only be made up to a maximum limit calculated in accordance with the third subsection. The following distributions must be restricted to the maximum distributable amount:

a. payment of dividends or group contributions
b. redemption or repurchase of own shares or equity certificates
c. repayment of the amount paid for shares or equity certificates
d. distribution of other paid-in or retained common equity Tier 1 capital
e. an agreement to pay variable remuneration or special pension benefits, or
f. payment of interest on Additional Tier 1 capital (subordinated loan capital securities).

The maximum distributable amount comprises interim and annual profits that are not included in common equity Tier 1 capital less estimated payable taxes multiplied by the ratio of common equity Tier 1 capital in excess of the minimum requirement set in Section 14-1 of the Financial Institutions Act and Section 9-40, first subsection of the Securities Trading Act to the combined buffer requirement, calculated as follows:

i. the factor should be zero if the ratio is between 0 and 25 per cent
ii. the factor should be 0.2 if the ratio is between 25 and 50 per cent
iii. the factor should be 0.4 if the ratio is between 50 and 75 per cent
iv. the factor should be 0.6 if the ratio is between 75 and 100 per cent

Distributions as mentioned in the second subsection cannot be made until the institution has provided Finanstilsynet with the following information:

a. the institution's capital divided into common equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital
b. interim and annual profits
c. the maximum distributable amount calculated according to the fourth subsection, and
d. the planned distribution of profits according to the list in the second subsection.

Part V. Liquidity risk management

Section 11. ***Liquidity coverage requirement in significant currencies***

Institutions as mentioned in Section 1, third subsection shall at all times maintain a liquidity coverage requirement in each significant currency of at least 100 per cent of the net liquidity outflow over a given stress period of 30 days. Currencies which separately account for more than 5 per cent of an institution's total liabilities are considered to be significant currencies. Institutions that have the euro or the US dollar as a significant currency are required to maintain a liquidity coverage requirement in Norwegian kroner of minimum 50 per cent. For institutions that have neither the euro nor the US dollar as a significant currency, there is no minimum liquidity coverage requirement in Norwegian kroner. Finanstilsynet may establish limits for individual institutions for how much of the net liquidity outflow in one currency can be covered by liquid assets in a different currency.

Section 12. ***Liquidity strategy***

The Board of Directors shall adopt a liquidity strategy that meets the requirements of these regulations. The strategy shall be adapted to all relevant business areas, with an internal distribution of risk and costs.

The strategy shall include guidelines and limits for liquidity risk and risk tolerance, guidelines for holdings of liquid assets, guidelines for stable long-term funding and methods and procedures for risk measurement, forecasts and monitoring, including stress tests. The strategy shall also include plans for organisation and responsibilities and provisions on reporting to the Board of Directors and management and on independent control.

The Board of Directors shall review the strategy and compliance therewith at least once a year. The Board's assessment and conclusion shall be included in the board meeting minutes.

Section 13. ***Limits for liquidity risk and risk tolerance***

Limits for liquidity risk and risk tolerance shall be set for different periods, including intraday limits. The institution shall have satisfactory rules and procedures for controlling and limiting liquidity risk. The institution’s limits shall also ensure that it has sufficient liquid assets in relation to short-term liabilities. Possible delays in inflows and outflows shall be taken into account.

Section 14. ***Contingency plans***

The institution shall have a contingency plan with procedures to deal with liquidity shortfalls in the institution and liquidity shortages in the market. The Board of Directors shall regularly update the contingency plan on the basis of stress tests.

Section 15. ***Risk measurement and forecasts for liquidity and funding needs***

The institution shall have methods to identify, measure and monitor net funding needs and funding positions at all times based on on- and off-balance sheet items, to be used to identify, measure and monitor liquidity risk.

The company shall prepare forecasts for future liquidity needs.

At least every quarter, the Board of Directors and management shall review a comprehensive and updated report on the institution's liquidity situation and liquidity management.

Section 16. ***Stress testing***

The institution shall regularly perform stress tests to assess its liquidity situation. The stress tests shall include alternative scenarios with different time horizons that cover entity-specific events, market-related events and combinations thereof. Scenarios for liquidity developments shall cover assets and off-balance sheet items. The institution shall regularly assess the assumptions used in the analyses.

Experience from the stress tests shall be taken into account in the liquidity strategy, guidelines and limits for liquidity risk, as well as in contingency plans.

Section 17. ***Annual review requirement***

The institution shall, at least once a year, consider alternative scenarios for liquidity positions and risk mitigation, as well as the assumptions underlying its funding position.

Part VI. Supplementary national consolidation requirements

Section 18. ***Scope of consolidation rules***

The provisions of this part do not apply to financial holding companies that, in addition to owning companies as referred to in Section 1, first subsection, also own insurance undertakings, provided that the insurance business represents the bulk of the group's operations and that the holding company is subject to the rules on insurance groups in the Solvency II framework. Insurance business shall be deemed to constitute the bulk of a group's operations when at least 60 per cent of the group's consolidated total assets and capital requirements stem from the insurance undertakings in the group. Finanstilsynet may by administrative decision decide that the rules in this part in whole or in part shall apply to holding companies as mentioned in the first sentence when this is warranted by important supervisory or capital adequacy considerations.

The provisions of this part do not apply to financial holding companies that, in addition to owning companies as mentioned in Section 1, first subsection, also own insurance undertakings, if

a) the insurance business and
b) the combined operations of the credit institution and the investment firm

each account for at least 40 per cent of the group's consolidated total assets and capital requirements, and the holding company is subject to the provisions of the regulations on consolidation etc. in cross-sectoral groups. Finanstilsynet may by administrative decision decide that the rules in this part in whole or in part shall apply to holding companies as mentioned in the first sentence when this is warranted by important supervisory or capital adequacy considerations.

Finanstilsynet may by administrative decision make exceptions from the provisions of this part for financial holding companies that, in addition to owning companies as mentioned in Section 1, first subsection, also own insurance undertakings, provided that the holding company is subject to the rules on insurance groups in the Solvency II framework or the rules on consolidation etc. in cross-sectoral groups and these rules provide a satisfactory picture of the group's financial soundness.

Holding companies that are exempted in accordance with the second or third subsection are also exempted from the capital requirements for banks, etc. on an individual basis. Finanstilsynet may by administrative decision decide that holding companies that are exempted in accordance with the fourth subsection are also exempted from the capital requirements for banks, etc. on an individual basis.

Section 19. ***Definitions***

Joint management is defined as instances where the same individuals have a majority on the governing or controlling bodies of two or more undertakings.

A participating undertaking is defined as an undertaking that is the parent company of, owns a participation in or is under joint management with another undertaking.

In these regulations, a group is defined as the group of companies to be consolidated in accordance with Section 20.

Section 20. ***Consolidation obligation***

Institutions that have a participation in or are under joint management with a financial sector undertaking other than an insurance undertaking and a parent company of an insurance undertaking shall apply consolidation pursuant to Section 18-2 of the Financial Institutions Act, section 9-46 of the Securities Trading Act and these regulations.

The institution shall undertake full consolidation if it is under joint management with a financial sector undertaking other than an insurance undertaking and a parent company of an insurance undertaking.

The consolidation obligation also applies to participating undertakings in sub-groups and financial institutions that are part of a cooperating group, cf. Section 17-13, subsection (2) of the Financial Institutions Act. Finanstilsynet may make exceptions from the consolidation obligation for sub-groups.

Section 21. ***Compliance with capital adequacy and prudential requirements on a consolidated basis***

Institutions that have a participation in or are under joint management with a financial sector undertaking other than an insurance undertaking and a parent company of an insurance undertaking shall undertake consolidation pursuant to the provisions of these regulations when applying the capital adequacy and prudential requirements set out in the Financial Institutions Act, Sections 13-7, 13-12, 14-1 to 14-4 and 14-6, subsection (3), letter b and the Securities Trading Act, Sections 9-40, 9-41, 9-42, 9-43, 9-45 and 9-47, subsection (6). In addition, financial institutions in a cooperating group shall undertake proportionate consolidation of holdings in the financial institution which is responsible for the business covered by the cooperative arrangement and which is not an insurance undertaking or the parent company of an insurance undertaking.

The consolidated capital requirement cannot be lower than the sum of the initial capital requirements including any add-ons in accordance with Section 2-2, subsection (2) of the Securities Funds Regulations and Section 2.7, subsection (1), letter a of the Act on the Management of Alternative Investment Funds.

Upon consolidation, the capital and buffer requirements of the institution that undertakes the consolidation shall be applied on a consolidated basis, except for parent companies as mentioned in the Securities Trading Act, Section 9-46, subsection (1) no. 3 of the Securities Trading Act, in which case the requirements for the largest subsidiary shall apply. The calculation methods for the various areas of operation on an individual level shall apply on a consolidated basis. Finanstilsynet may decide by administrative decision that other capital requirements and calculation methods shall apply on a consolidated basis.

Section 22. ***Consolidation rules***

Consolidated own funds and risk-weighted assets shall be calculated according to the principles applied when consolidating according to the accounting rules, but proportional consolidation shall be used instead of the equity method. The consolidation shall include off-balance sheet liabilities. Intra-group off-balance sheet items shall be eliminated.

If an exposure is secured by a guarantee from another group institution, only the capital requirement for the risk relating to the third party shall be calculated on a consolidated basis.

Section 23. ***Requirement for an internal capital adequacy assessment process (ICAAP)***

Section 13-6, subsections (1) through (3) of the Financial Institutions Act and Section 9-47, subsections (1) through (3) of the Securities Trading Act apply on a consolidated basis to the ultimate Norwegian parent company in a group.

Documentation of the assessments made pursuant to Section 13-6 of the Financial Institutions Act and Section 9-47 of the Securities Trading Act shall show the risks and capital needs of the group as a whole and of the individual undertakings in the group.

The obligation to undertake consolidation according to the first subsection also applies to companies that have a participation in institutions established outside the EEA.

Section 24. ***Treatment of holdings of own funds in insurance undertakings etc.***

Upon consolidation, holdings of own funds in insurance undertakings and holding companies of insurance undertakings shall be deducted from own funds according to the deduction rules that apply to holdings of own funds in financial sector undertakings. The part of the holdings that is not to be deducted according to the deduction rules shall be included in risk-weighted assets on a consolidated basis, applying a risk weight of 250 per cent.

Parent companies of groups whose business is confined to managing its owner interests in the group shall not deduct own funds in other financial sector undertakings on an individual basis, except as otherwise provided by Finanstilsynet by administrative decision.

Section 25. ***Transactions with owner institutions***

In groups where the parent company is an owner institution as defined in Section 17-6, subsection (2) letter (c) of the Financial Institutions Act, and in groups that include investment firms where the parent company is an owner institution that is not encompassed by Section 9-47, subsection (1) no. 3 of the Securities Trading Act, all significant transactions between the undertakings of the group and the owner institution shall be reported to Finanstilsynet.

Part VII. Systemic risk buffer

Section 26. ***Content and purpose***

This part lays down the systemic risk buffer rate for Norwegian exposures and describes the procedure applied by the competent authorities to assess and set the rate. The systemic risk buffer is intended to increase the resilience of the institutions to loan losses and other disruptions that may occur as a result of structural vulnerabilities in the economy and other persistent systemic risk.

Section 27. ***Systemic risk buffer rate***

The systemic risk buffer rate is 3 per cent.

Section 28. ***Changes in the systemic risk buffer rate***

Every two years, the Ministry of Finance shall determine the level of the systemic risk buffer rate. A decision to increase the rate will normally enter into force no earlier than 12 months after the decision has been made. In special cases, an earlier entry into force may be determined. The rate shall be changed in one or more steps of 0.5 percentage points.

Part VIII. Buffer for systemically important institutions

Section 29. ***Content and purpose***

This part lays down the procedure and criteria for determining which institutions should be subject to a higher common equity Tier 1 capital requirement because they are systemically important and of great significance to the financial system and the Norwegian economy. Such systemically important institutions shall be subject to a higher common equity Tier 1 capital requirement in order to have a higher loss-absorbing capacity, thus reducing the probability that the institutions will face financial problems that may have serious negative consequences for the financial system and the real economy.

Section 30. ***Identification of systemically important institutions***

Each year, the Ministry of Finance shall decide which institutions are to be designated as systemically important in Norway. The decision will normally enter into force no earlier than 12 months after the decision has been made. In special cases, an earlier entry into force may be determined.

Institutions that meet at least one of the following criteria shall be considered to be systemically important and be subject to a special capital buffer of 1 per cent:

a) institutions that at the end of the previous year had total assets corresponding to at least 10 per cent of Mainland Norway's GDP,
b) institutions that at the end of the previous year had a share of lending to the private non-financial sector in Norway of at least 5 per cent of total lending to this sector.

Institutions that meet at least one of the following criteria shall be considered to be systemically important and be subject to a special capital buffer of 2 per cent:

a) institutions that at the end of the previous year had total assets corresponding to at least 20 per cent of Mainland Norway's GDP,
b) institutions that at the end of the previous year had a share of lending to the private non-financial sector in Norway of at least 10 per cent of total lending to this sector.

The criteria shall be based on the institutions' consolidated accounts and Mainland Norway's GDP for the preceding year. For institutions that have ownership interests in mortgage companies issuing covered bonds, their proportionate share shall be included in the calculation base for the institution's total assets and lending to the private non-financial sector.

In special cases, the Ministry of Finance may decide that institutions that meet the criteria in the second or third subsection shall not be considered to be systemically important. The Ministry of Finance may also stipulate that institutions other than those that meet at least one of the criteria in the second or third subsection, are nevertheless considered to be systemically important. At this assessment, the Ministry of Finance shall emphasise the criteria set out in Section 31 and advice from Finanstilsynet.

Section 31. ***Advice from Finanstilsynet***

Each year, Finanstilsynet shall, by the end of the first quarter, give the Ministry of Finance qualified advice on which institutions should be regarded as systemically important in Norway and be required to meet a special buffer requirement of 1 or 2 per cent. Advice according to the first sentence shall be based on an assessment of, among other things, the institution’s size, the scope of its activities in Norway and in other countries, its complexity and role in the financial infrastructure, and its interconnectedness to the rest of the financial system, cf. Section 31, second and third subsection.

Part IX. Counter-cyclical capital buffer

Section 32. ***Content and purpose***

This part lays down the countercyclical capital buffer rate for Norwegian exposures. The countercyclical capital buffer is intended to increase the resilience of the institutions to loan losses during a future economic slump and mitigate the risk that the institutions will contribute to reinforcing a possible downturn by reducing their lending.

Section 33. ***Countercyclical capital buffer rate for Norwegian exposures***

The countercyclical capital buffer rate for Norwegian exposures is 2.5 per cent.

Section 34. ***Changes in the countercyclical capital buffer rate***

Each year, the Ministry of Finance shall determine the level of the countercyclical capital buffer rate for Norwegian exposures. A decision to increase the rate will normally enter into force 12 months after the decision has been made. In special cases, an earlier entry into force may be determined.

The countercyclical capital buffer rate shall as a rule be between 0 and 2.5 per cent. In special cases, the rate may be set higher than 2.5 per cent. The rate shall be changed in one or more steps of 0.25 percentage points. The decision to reduce the rate may take effect immediately.

Part X. Risk management and internal control system

Section 35. ***Role of the Board of Directors***

The institution’s Board of Directors shall approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating risks that the institution is or may be exposed to, including those posed by the macroeconomic environment in which it operates. The Board of Directors shall ensure that it has access to risk information and determine the scale, format and frequency of reporting.

The Board of Directors shall establish guidelines to ensure satisfactory segregation of duties and to prevent conflicts of interest.

The Board of Directors shall enable the institution’s control functions to carry out their work in an efficient and independent manner by ensuring that:

a) persons involved in the institution’s control function are not involved in carrying out the services or functions they have been assigned to control, and that

b) the remuneration of persons involved in the institution’s control function is not set in a manner that affects, or is suited to affect, their objectivity.

The Board shall evaluate its work and competence related to the institution's risk management and internal control at least annually.

Section 36. ***Risk management and internal control***

The institution’s policies and procedures for risk management and control should at least include the following risks:

a) credit and counterparty risk
b) residual risk
c) concentration risk
d) risks related to securitisation activities
e) market risk
f) interest rate risk in the non-trading portfolio
g) operational risk
h) liquidity risk
i) risks associated with excessive leverage.

Credit granting shall be based on sound and well-defined criteria. The diversification of the credit portfolios shall be adequate given the institution’s target markets and overall credit strategy.

The guidelines for credit and counterparty risk shall as a minimum include procedures for approving, amending, renewing and refinancing credits, procedures for identifying and handling problem loans, and procedures for valuation and impairment.

Guidelines for concentration risk shall cover individual counterparties, groups of connected counterparties, counterparties in the same economic or geographic region, as well as concentration risk associated with collateralisation.

In the case of securitisation transactions that include revolving credits with the right to early amortisation, the liquidity situation at both scheduled and early amortisation shall be taken into account.

The guidelines for operational risk shall include contingency and business continuity plans to ensure an institution’s ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

The institution shall ensure prudent liquidity management in accordance with the requirements in part V of these regulations.

The risk management guidelines shall include a procedure for the identification and evaluation of risks associated with new and significant changes in products, services and other activities, including outsourcing. The control functions for risk management and compliance shall be involved in the risk assessments.

The outsourcing agreement shall ensure that Finanstilsynet has access to information from and a right to inspect the business if Finanstilsynet deems this to be necessary. The institution shall ensure that the organisation has sufficient expertise to handle the outsourcing agreement.

Section 37. ***Implementation of internal control mechanisms***

Managers in all key areas of operation shall assess the implementation of internal control mechanisms on an ongoing basis.

At least once a year, a summary assessment shall be made of whether the internal control mechanisms have been implemented in a satisfactory manner and whether there is a need for new measures.

The assessments made in accordance with the first and second subsection shall be documented.

The general manager shall, at least once a year, prepare an overall assessment in accordance with the first and second paragraph, which is to be presented for consideration to the Board of Directors.

The documentation shall be stored for at least three years and be available to Finanstilsynet.

Section 38. ***Risk management***

The risk management function shall ensure that all of the institution’s material risks are identified, measured and reported by the relevant organisational units.

The risk management function shall be involved in the preparation of the institution's risk tolerance, risk strategy and overarching risk limits. The risk management function shall be involved in assessments that have a strong bearing on the institution’s overall risk.

The institution shall have an independent risk management function with sufficient competence and resources. The head of the risk management function shall report to the general manager. It shall not be possible to discharge the head of the risk management function without the Board’s approval. In small institutions with a less complex structure, a manager with other responsibilities may also be responsible for the risk management function provided that conflicts of interest are avoided.

The risk management function shall be able to report directly to the Board in cases where the Board does not obtain the necessary information on material risks through ordinary reporting lines, and to notify the Board in cases where identified risks affect or may affect the institution.

Section 39. ***Compliance control***

The institution shall have policies and procedures to identify the risk that the institution does not fulfil its obligations pursuant to laws and regulations. The institution shall implement preventive measures and procedures to mitigate such risks.

The institution shall have an independent control function with sufficient competence and resources, which will:

a) check that the institution fulfils its obligations in accordance with the first subsection,
b) regularly assess the effectiveness of the aforementioned policies, procedures and measures,
c) assess any measures taken to remedy non-compliance with the regulations.

The head of the compliance control function shall report to the general manager. It shall not be possible to discharge the head of the control function without the Board's approval. In small institutions with a less complex structure, a manager with other responsibilities may also be responsible for the control function provided that conflicts of interest are avoided.

Section 40. ***Internal Audit***

The Board shall approve the Internal Audit's resources and plans on an annual basis.

The Internal Audit shall be entitled to attend board meetings.

The internal audit shall be conducted in accordance with recognised standards.

Section 41. ***Requirements for separate control functions***

The following financial institutions must have separate control functions for risk management and compliance, respectively, that report to the general manager:

a) institutions defined as systemically important pursuant to Section 30
b) financial institutions that are part of a financial services group and whose total assets have exceeded NOK 100 billion for a period of minimum 12 months, provided that they fall within the scope of these regulations in accordance with the rules in Section 30, third subsection, or
c) institutions that have been granted permission to use internal models.

Part XI. Disclosure

Section 42. ***Disclosure of financial information***

Finanstilsynet may determine a different frequency and format for the disclosure of information than laid down in part 8 of the CRR.

Finanstilsynet may require parent companies to publish annually a description of their legal structure, organisational structure and corporate governance practices in accordance with Directive 2013/36/EU (CRD IV), Articles 14(3), 74(1) and 109(2).

Compliance with the liquidity coverage requirement, in total and for each significant currency, shall be disclosed each quarter together with the institution's financial reporting.

Section 43. ***Country-by-country reporting***

Institutions shall disclose the following information on a consolidated basis for each country in which they have an establishment:

a) name of institution, nature of activities and geographical location
b) turnover
c) number of employees on a full time equivalent basis
d) pre-tax profits
e) tax
f) public grants and subsidies received

The information shall be audited in accordance with Act of 15 January 1999 No. 2 relating to auditing and auditors. The information shall be published, where possible, as an attachment to the institution's annual financial statements.

The first and second subsection do not apply to institutions covered by Regulations of 23 August 1999 No. 957 relating to annual financial statements for investment firms etc. if the financial statements are not prepared in accordance with the Accounting Act, Section 3-9 on the application of international accounting standards.

Part XII. Supplementary rules on large exposures

Section 44. ***Exemptions when calculating exposure amounts under CRR Article 400(2)***

When applying CRR Article 395(1), the following exposures may be fully or partially exempted:

a) 90 per cent of exposures in the form of covered bonds that meet the requirements of CRR Article 129(1), (2) and (6), provided that the total exposure to a counterparty does not exceed 250 per cent of own funds. This does not apply to exposures mentioned under letter c).
b) 80 per cent of exposures to Norwegian municipalities and enterprises covered by Act of 29 January 1999 No. 6 relating to inter-municipal enterprises. Exposures to regional and local authorities in other EEA states may be exempted according to rules established by the relevant national authorities.
c) 100 per cent of exposures to subsidiaries and 80 per cent of exposures to other financial institutions in the same group, provided that the entities are subject to supervision on a consolidated basis.
d) 100 per cent of exposures if the exposure is to a financial institution and settlement takes place within the following business day, provided that the exposure is denominated in NOK, DKK or SEK and is not included in the counterparty's own funds.

Part XIII. IRB models for capital requirements calculations

Section 45. ***Supervision of institutions' use of internal models***

At least every three years, Finanstilsynet shall examine the institutions' use of internal models for capital requirements calculations. If the requirements of theses regulations are not deemed to be fulfilled, Finanstilsynet may require the institution to take measures or withdraw its permission.

Part XIV. Entry into force and transitional rules

Section 46. ***Entry into force***

The regulations enter into force on 30 September 2014.

Section 47. ***Transitional provisions***

Up to and including 31 December 2021, additional Tier 1 instruments and subordinated loans raised prior to 31 December 2011 may be included in additional Tier 1 capital and Tier 2 capital, respectively, at the following percentages, based on the holdings of such instruments as at 31 December 2012:

i) 1 January 2018 to 31 December 2018: 40 per cent
ii) 1 January 2019 to 31 December 2019: 30 per cent
iii) 1 January 2020 to 31 December 2020: 20 per cent

iv) 1 January 2021 to 31 December 2021: 10 per cent

Excess Additional Tier 1 capital may count towards Tier 2 capital if a percentage for inclusion of Tier 2 capital is available. Additional Tier 1 instruments and subordinated loan capital with an incentive to redeem that are not redeemed on the date of an interest rate increase cannot be included in own funds after that date.

Appendix I. Commission Delegated Regulation (EU) 2015/62

Commission Delegated Regulation (EU) 2015/62