Chapter 1 Object, scope of application, definitions etc.

Section 1-1 Scope of application

These regulations apply to entities and activities that are covered by the provisions of the Financial Institutions Act.

Section 1-2 Exemptions in respect of insurance of livestock

The Financial Institutions Act does not apply to the insurance of livestock through an undertaking that meets the following conditions:

(a) the undertaking is entitled under its articles of association to require further premiums (retroactive assessment) or to reduce compensation payments,
(b) liability insurance is offered solely to cover additional risks,
(c) annual premium revenue is below EUR 1 million,
(d) at least half of the premium revenue relates to insurance for members of the mutual undertaking,
(e) the undertaking is organised as a cooperative pursuant to Act of 29 June 2007 No. 81 on Cooperatives.

Section 1-3 Exemptions in respect of funeral insurance undertakings and welfare funds

The Financial Institutions Act does not apply to funeral insurance undertakings or welfare funds that provide maximum support equal to the basic amount available under the National Insurance Scheme. Finanstilsynet may nonetheless order funeral insurance undertakings or welfare funds to provide information about their activities to Finanstilsynet. If required out of consideration for the recipients of support, Finanstilsynet may prescribe that such arrangements shall be covered completely or partly by this Act.

Section 1-4 Exemptions in respect of marine insurance associations

The Financial Institutions Act does not apply to insurance associations covered by Act of 3 July 1953 No. 2 on Marine Insurance Associations.
Section 1-5  **Exemptions in respect of electricity providers**

Electricity providers that invoice grid services and electrical energy pursuant to Regulations of 11 March 1999 No. 301 on measurement, settlement, invoicing of grid services and electrical energy, grid company's neutrality etc., are excluded from the licence requirement of the Financial Institutions Act section 2-1.

Financing activity under the first subsection shall be limited to providing credit to the entity's customers for payment of network charges. The undertaking shall not borrow money from entities other than companies in the same group and financial institutions.

Undertakings engaged in financing activity under the first subsection are subject to a disclosure obligation vis-à-vis Finanstilsynet corresponding to the obligation of Act 7 December 1966 No. 1 on the Supervision of Financial Institutions etc. section 3, subsection (2), second sentence and subsection (3).

The Financial Institutions Act section 3-7 applies insofar as appropriate to entities engaged in financing activity pursuant to subsection (1).

**Chapter 2  Requirement of a licence to establish and engage in activities as a financial institution**

**Part I  Payment institutions**

**Section 2-1  Exemptions from the provisions of this Act in respect of payment institutions**

The Financial Institutions Act chapter 6, with the exception of section 6-3, subsection (2), section 13-5, subsection (2), and section 13-6, subsections (2) to (7), does not apply to payment institutions.

Section 6-1 of these regulations applies to payment institutions.

**Section 2-2  Information on changes**

A payment institution shall without undue delay notify Finanstilsynet of any change in the information it previously transmitted to Finanstilsynet as a basis for Finanstilsynet's decision to grant a licence.

**Section 2-3  General requirement regarding the use of contractors and sales channels**

A payment institution shall ensure that agents, branches and others acting on behalf of that institution inform the users of the payment services that the provider is an agent, branch or the like of the Norwegian payment institution.
Section 2-4  Use of agents

Section 4-5 applies mutatis mutandis to payment institutions that intend to provide payment services through an agent in Norway.

Section 2-5  Limited licence

A payment institution holding a limited licence under the Financial Institutions Act section 2-10, subsection (3), may be established and organised as a sole proprietorship. The Financial Institutions Act section 3-3, subsection (1), applies mutatis mutandis to payment institutions with a limited licence.

A payment institution holding a limited licence shall inform Finanstilsynet if the average of the previous 12 months' aggregate amount of payment transactions carried out by the institution, including any agent acting on behalf of the institution, exceeds an amount equivalent to NOK 5 million per month or other amount set pursuant to the provisions of the Financial Institutions Act section 2-10, subsection (3)(c).

The Financial Institutions Act chapter 6, sections 8-16 to 8-21, sections 21-2 to 21-6, and section 14-12 of these regulations do not apply to payment institutions with a limited licence.

The Financial Institutions Act sections 8-1 to 8-9 does not apply to payment institutions with a limited licence that are organised as sole proprietorships.

Section 2-6  Accounts

Payment institutions shall each year a report accounting information to Finanstilsynet in the manner specified by Finanstilsynet.

Payment institutions that carry on other business activities in addition to payment services shall present their accounts for payment services separately.

Part II  Electronic money institutions

Section 2-7  Exemptions from the provisions of this Act in respect of electronic money institutions

Section 12-10, section 13-5, subsection (2), and section 13-6, subsections (2) to (7), of the Financial Institutions Act do not apply to electronic money institutions.

Section 2-8  Use of agents

Section 4-5 applies mutatis mutandis to electronic money institutions intending to provide payment services through an agent in Norway.
Section 2-9  **Exemptions in respect of electronic money institutions with limited activities**

The Ministry of Finance may by administrative decision exempt an electronic money institution from some or all provisions laid down in or pursuant to the Financial Institutions Act provided the maximum amount that can be stored in an electronic medium is limited to the equivalent in Norwegian kroner of EUR 150 and the following conditions are met:

(1) the total amount of financial liabilities related to outstanding electronic money shall not exceed the equivalent in Norwegian kroner of EUR 5 million, and
(2) the conditions of the Financial Institutions Act section 3-5, subsection (1), and section 8-17, subsection (1), first sentence, are met.

The institution shall each year present a management report or other report on its activities to Finanstilsynet. The report shall contain information on the size of total financial liabilities related to electronic money. The report shall reach Finanstilsynet no later than 1 August of the following year.

An electronic money institution that has been granted exemption under subsection (1) shall inform Finanstilsynet of any change that may cause the conditions for exemption to be no longer met. Should the conditions no longer be met, the institution shall apply within 30 days for a licence in accordance with the Financial Institutions Act section 3-1.

Section 2-10  **Accounts**

Electronic money institutions shall semi-annually report accounting data to Finanstilsynet in the manner specified by Finanstilsynet.

Electronic money institutions that carry on business activities in addition to payment services and electronic money activity shall present their accounts for payment services and/or electronic money activity separately.

**Part III  Insurance undertakings**

Section 2-11  **Insurance classes in life insurance**

In life insurance a licence is granted for activities in the following insurance classes:

I General life insurance and additional insurance, which includes:
(a) Collective or individual capital insurance except disability insurance
   - insurance benefits paid when the insured has died
   - insurance benefits paid when the insured reaches a specified age
   - insurance benefits paid when the insured has died or at the latest reaches a specified age.
(b) Collective or individual annuity and pension insurance except disability insurance.
(c) Insurance against disability irrespective of cause, including waver-of-premium insurance (employee) and waiver-of-contribution insurance (employer).
(d) Insurance additional to insurance referred to under (a) or (b) for coverage of
   - disability resulting from accident
- disability resulting from sickness
- death resulting from accident

II Marital and childbirth insurance, which cover:
   (a) Insurance benefits paid upon contraction of marriage.
   (b) Insurance benefits paid upon childbirth.

III Index-linked life insurance
Index-linked life insurance is insurance where the benefits are related to the value of specified assets whose composition is selected by the policyholder. This class covers:
   (a) Insurance referred to in class I (a) and (b).
   (b) Insurance referred to in class II.
   (c) Insurance referred to in class VI.
   This class also covers insurance referred to in class I(c) when the insurance is written as additional assurance to insurance referred to in class I (a) or (b).

IV Long-term accident and sickness insurance
This class covers accident and sickness insurance providing cover for a period above three years and which cannot be terminated by the insurer or which can only be terminated in specific circumstances that are specified in the insurance agreement.

V Management of assets of pension undertakings and equivalent foreign pension institutions.

VI Capitalisation products
This class covers savings contracts based on actuarial calculation and consisting of liabilities of fixed duration and size.

Section 2-12 Insurance classes in non-life insurance

In non-life insurance a licence is granted for activities in the following insurance classes:

1. Accident (personal insurance)
   - insurance benefits paid in a fixed pecuniary amount
   - compensation for financial loss
   - combinations of the two, and
   - injury to passengers.

2. Sickness (personal insurance)
   - insurance benefits paid in a fixed pecuniary amount
   - compensation for financial loss, and
   - combinations of the two.

3. Land vehicles (other than railway rolling stock)
   - All damage to or loss of motorised land vehicles or non-motorised land vehicles.

4. Railway rolling stock
   - All damage to or loss of railway rolling stock.
5. Aircraft
   - All damage to or loss of aircraft.

6. Damage to or loss of seagoing vessels and vessels on lakes, rivers or canals.

7. Damage to or loss of goods in transit (including merchandise, luggage and all other goods).

8. Fire and natural damage
   - Damage to or loss of property and possessions (except property and possessions included in classes 3, 4, 5, 6 and 7) due fire, explosion, storm, natural forces, nuclear energy or land subsidence.

9. Other damage to property and possessions.

10. Liability arising out of the use of land vehicles (including driver's liability).

11. Liability arising out of the use of aircraft (including pilot's liability).

12. Liability arising out of the use of seagoing vessels and vessels on lakes, rivers or canals (including pilot's liability).

13. General liability insurance
    Liability other than that referred to under classes 10, 11 and 12.

14. Credit insurance
    Loss resulting from non-performance of the policyholder's outstanding claims (general insolvency, export credit, instalment credit, mortgage protection, agricultural insurance, residual value insurance etc.)

15. Suretyship insurance
    Loss resulting from policyholder's breach of financial liabilities to a third party.

16. Miscellaneous financial loss due to
    - loss of income
    - loss of profit
    - loss through fraud
    - indirect trading losses
    - other financial loss.

17. Costs of legal aid

18. Assistance to persons encountering difficulties while travelling or while absent from their permanent place of abode or their usual place of abode.
Section 2-13 Groups of insurance classes in non-life insurance

A licence may be granted for activities in the following groups of insurance classes:

(a) Accident and sickness insurance (class 1 and 2)
(b) Motor vehicle insurance (class 1, fourth indent, 3, 7 and 10)
(c) Maritime and transport insurance (class 1, fourth indent, 4, 6, 7 and 12)
(d) Aviation insurance (class 1, fourth indent, 5, 7 and 11)
(e) Fire and property damage insurance (class 8 and 9)
(f) Liability insurance (class 10, 11, 12 and 13)
(g) Credit insurance and surety (class 14 and 15)
(h) All non-life insurance (class 1-13 and 16-18)

Section 2-14 Additional risks in non-life insurance

Insurance undertakings may cover additional risks without a separate licence provided such risks:

(a) are related to the main risk,
(b) concern the object covered against the main risk, and
(c) are covered by the contract that covers the main risk.

Risks covered by section 2-10, class XIV, 15 and 17, may nonetheless not be regarded as additional risks to other classes.

Section 2-15 Licence for parts of an insurance class

A licence shall be granted for entire classes unless the licence application is limited to parts of a class.

Section 2-16 Non-life insurance that may be written by life insurance undertakings

Life insurance undertakings may be granted a licence to write accident and sickness insurance.

Chapter 3 Licence procedure

Section 3-1 Fitness and propriety

With regard to licence applications, only managers of key functions require the approval of the Ministry of Finance.

Financial institutions shall notify Finanstilsynet of any change of manager of a key function. Such notification shall as far as possible be given in advance. The Financial Institutions Act section 8-9, subsections (2) and (3), apply to such notifications.

Financial institutions shall notify Finanstilsynet whenever a person referred to in the Financial Institutions Act section 3-1, subsection (4), is replaced because he/she no longer meets the fitness and propriety requirements.
Chapter 4 Norwegian financial institutions' activities in another EEA member state

Section 4-1 Exemption in respect of reinsurance activities

Section 4-2 and section 4-3 of the Financial Institutions Act do not apply to reinsurance.

Section 4-2 Pension undertakings

The Financial Institutions Act section 4-2 does not apply to pension undertakings.

Where a pension undertaking intends to conduct cross-border activities in another EEA member state, the undertaking shall notify Finanstilsynet of:

(a) the EEA member state concerned
(b) the name of the sponsoring undertaking
(c) the chief characteristics of the pension scheme to be managed for the sponsoring undertaking

Finanstilsynet shall notify the host state's supervisory authorities no later than three months after receiving notification as referred to in the second subsection. However, this does not apply if Finanstilsynet has cause to assume that the undertaking's organisational and administrative set-up or financial situation is not satisfactory or that the management team does not meet the requirements of section 3-5 of this Act.

A pension undertaking may commence management of the pension scheme once the undertaking has been informed which of the host state's rules are applicable to the undertaking, and no later than two months after the host state authority received the notification from Finanstilsynet.

Section 4-3 Notification of the establishment of a branch and cross-border activities

Finanstilsynet may establish further requirements as to format, content and language to be used for notification pursuant to the Financial Institutions Act section 4-2, subsection (1), and section 4-3, subsection (1).

An insurance undertaking's notification of the establishment of a branch shall state the name of the branch's general agent and the powers held by that person.

A non-life insurance undertaking's notification of a branch establishment or cross-border activities that covers statutory motor vehicle insurance (class 10, not including goods in transit liability), must be accompanied by a statement showing that the undertaking is a member of the national motor vehicle insurance association and the national deposit guarantee scheme of the host state that covers uninsured injured parties. Notification of cross-border activities must also contain the name and address of all claims representatives that the undertaking has designated in the host state in accordance with the host state's legislation.
The undertaking shall give notification to Finanstilsynet and the host state's supervisory authority in the event of changes in the information referred to in the third subsection.

**Section 4-4** *Electronic money institutions' and payment institutions' activities in another EEA member state*

The Financial Institutions Act chapters 4 and 5 do not apply to electronic money institutions which the Ministry of Finance pursuant to the Financial Institutions Act section 2-4, subsection (4), has exempted from some or all of the Act's provisions or to payment institutions with a limited licence under the Financial Institutions Act section 2-10, subsection (3).

Finanstilsynet shall transmit notification pursuant to the Financial Institutions Act section 4-2 to the host state's supervisory authorities no later than one month after notification was received from the payment institution or the electronic money institution.

**Section 4-5** *Electronic money activities and provision of payment services through an agent*

Payment institutions or electronic money institutions that intend to provide payment services in another EEA member state through an agent shall notify Finanstilsynet accordingly.

The notification shall contain the following information:

(a) The agent's name and address  
(b) A description of the internal control arrangements that the agent will employ to comply with the obligations under the Anti-Money Laundering Act  
(c) Information about persons in the undertaking's management team and persons with responsibility for the handling of the agent, and documentation showing that these persons are fit and proper  
(d) The state in which the payment services are to be offered  
(e) The services to be offered by the agent  
(f) Information about the agent's persons in charge

Finanstilsynet shall notify the agent to the host state's supervisory authorities at the latest one month after the information referred to in the second subsection was received. The notification to the host state shall contain the information in the third subsection, and information about the electronic money institution or payment institution, the institution's organisation structure and confirmation that the planned activities are covered by the institution's licence.

If the host state's authorities have reasonable cause to suspect, in connection with the coming engagement of the agent, that money laundering or terrorist financing under Directive 2005/60/EC has been committed or attempted, or that the engagement of such an agent could heighten the risk of money laundering or terrorist financing, Finanstilsynet shall refuse to register the agent, or shall annul the registration if registration has already taken place.

Electronic money institutions may not issue electronic money through an agent. Redemption and distribution of electronic money may take place through natural or legal persons acting on behalf of
the institution. An electronic money institution's agent may provide payment services on behalf of the institution.

Chapter 5 Foreign institutions' activities in Norway

Section 5-1 Reinsurance activities

Foreign insurance undertakings may carry on reinsurance activities in Norway on a cross-border basis or through a branch without sending notification as referred to in the Financial Institutions Act section 5-2 and section 5-5.

Section 5-2 Exemption from obligation to provide information about a deposit guarantee scheme

Section 5-2, subsection (1) (g), and section 5-5, subsection (1), third sentence, of the Financial Institutions Act do not apply to insurance undertakings.

Section 5-3 Application of the Act to Lloyd's

Section 5-2 to section 5-9 of the Financial Institutions Act also applies to the activities of the amalgamation of insurance providers termed Lloyd's.

Section 5-4 Language

Finanstilsynet may require that a notification of branch establishment or cross-border activities shall be given in Norwegian.

Section 5-5 Prohibition of unreasonable premiums

A prohibition pursuant to the Insurance Activity Act section 3-6, subsection (3), cf. the Financial Institutions Act section 5-4, subsection (2), may only be issued in cases where Finanstilsynet deems premiums or insurance terms and conditions to be unreasonable.

Section 5-6 Requirements on a general agent

An EEA insurance undertaking's branch in Norway shall have a general agent. The general agent shall be of legal age and resident in an EEA member state. The general agent shall have sufficiently broad powers to bind the insurance undertaking vis-à-vis a third party and to represent the undertaking vis-à-vis the authorities and courts of law in the host state. If the undertaking has a legal person as its general agent, the latter shall (as its representative) designate a legal person who him- or herself meets the conditions required to be a general agent.

A general agent for Lloyd's shall have sufficiently broad powers to be able to appear in court as defendant and to be able to bind the Lloyd's insurers concerned. Powers must be worded such that any dispute with Lloyd's as a result of the insurance activities does not entail greater difficulties for the insureds than if the dispute concerns an insurance undertaking.
Section 5-7  Foreign pension undertakings

Pension undertakings may start cross-border activities at the earliest two months after Finanstilsynet's receipt of notification from the undertaking's home state authorities or after Finanstilsynet has informed the home state's supervisory authorities of the specific requirements on the activities; see the Financial Institutions Act section 5-5, subsection (3) and (4).

Section 5-8  Branches, agents and cross-border activities of electronic money institutions and payment institutions

Branches of payment institutions and electronic money institutions may be established once Finanstilsynet has confirmed receipt of the information referred to in the Financial Institutions Act section 5-2, subsection (1), apart from paragraph (f), or at the earliest one month after Finanstilsynet's receipt of the information mentioned. Confirmation that persons referred to in section 5-2, subsection (1) (d) and (e), meet the fitness and propriety requirements is not required.

Notification regarding payment institutions or electronic money institutions that intend to conduct cross-border activities shall contain information referred to in section 5-2, subsection (1) (b) and (h), cf. section 5-5, subsection (1), third sentence. The cross-border activities may start once the home state's supervisory authorities have confirmed to the institution that notification of cross-border activities has been transmitted.

An agent of a payment institution or electronic money institution may start activities in Norway once Finanstilsynet has confirmed receipt of notification from the host state's supervisory authorities in accordance with section 4-5, subsection (4), or at the earliest one month after Finanstilsynet's receipt of the information mentioned.

Chapter 6  Supervision of owners of qualifying holdings in financial institutions

Section 6-1  Notification of the acquisition of holdings in financial institutions

Notification of the acquisition of a qualifying holding shall contain the following information:

1. The acquirer's full name, address and organisation number, D number\(^1\) or Norwegian national identity number. Foreign nationals who do not have a Norwegian national identity number or D number shall state their date of birth and nationality. Foreign undertakings shall state their head office's home state.

2. The financial institution's name, address and organisation number, as well as the acquirer's assessment of the financial institution's financial position and activity.

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\(^1\) Translator's note: A 'D number' can be assigned to persons who lack a Norwegian national ID number and need to identify themselves to Norwegian public authorities. Only persons intending to stay in Norway for less than six months may be assigned a D number.
3. The acquirer's overall holding in the financial institution.

4. The size of the holding it is intended to acquire.

5. The acquirer's business activity and available financial resources.

6. The acquirer's owner interests in other financial institutions.

7. Other owners of holdings in the financial institution with which the acquirer is to be consolidated.

8. The purpose of the acquisition. If the acquisition entails that the financial institution will become the acquirer's subsidiary, information shall be provided on the organisation and activity of the group of which the institution will form part.

9. Whether the acquirer over the course of the last 10 years has been subject to bankruptcy petition or to bankruptcy or debt settlement proceedings in Norway or any other country.

10. Whether the acquirer over the course of the last 10 years has been convicted of a criminal offence, including receipt of a fine or confiscation of assets for a criminal offence, in Norway or any other country.

11. Whether the acquirer has been formally accused of or charged with a criminal offence in Norway or any other country.

12. Whether the acquirer over the course of the last 10 years has been subject to discretionary tax assessment or to penalty tax or the like in Norway or any other country.

13. Whether the acquirer over the course of the last 10 years has received an administrative fine or cumulative daily fine under the Financial Supervision Act, Stock Exchange Act, Accounting Act or the securities legislation or equivalent laws in other countries.

14. Whether the acquirer over the course of the last 10 years has held a board position or a qualifying holding in, or been employed as CEO at, any undertaking which in the same period has been involved in circumstances as mentioned in 9, 10, 11, 12 or 13.

15. Whether the acquirer has previously been assessed for approval to acquire a qualifying holding in a financial institution in Norway or any other country.

16. Other matters which the acquirer presumes may be of significance for deciding whether permission should be given for the acquisition to be carried out.

If the acquirer is an undertaking, information referred to in the first subsection, no. 1, 3, 5, 6, 9, 10, 11, 12, 13, 14, 15 and 16 shall in addition be provided on the undertaking's board of directors, executives and on owners of qualifying holdings in the undertaking. If any such owner is a legal person, Finanstilsynet may ask to be supplied with the same information on individuals in that legal person's board of directors, executives and on owners of qualifying holders in the said legal person and in any parent company.
Finanstilsynet shall immediately confirm in writing its receipt of notification of the acquisition of a qualifying holding.

In matters for decision by the Ministry of Finance, Finanstilsynet shall have delivered its recommendation within 40 days of confirming its receipt of notification as mentioned in the first subsection, except as otherwise provided by the said ministry.

Section 6-2 *Acquirer from another state in the European Economic Area*

If the acquirer is a bank, mortgage credit institution, insurance undertaking, investment firm, management company for securities funds or alternative investment fund manager licensed in another EEA member state, Finanstilsynet shall consult the authorities of the entity's home state. The same applies if the acquirer is the parent company of such an entity with a licence in another EEA member state or a physical or legal person that controls an entity with a licence in another EEA member state.

Section 6-3 *Disposal of qualifying holdings*

When notifying the disposal of a qualifying holding by means other than via a stock exchange, the existing owner shall indicate the acquirer's name, address and organisation number or national identity number.

Section 6-4 *Financial institutions' obligation to give notification of new owners etc.*

A financial institution shall at the earliest opportunity inform Finanstilsynet of any acquisition that entails that a party has become the owner of a qualifying holding in that financial institution.

Section 6-5 *Notification obligation for undertakings that own qualifying holdings in financial institutions*

Any undertaking that owns a qualified holding in a financial institution shall at the earliest opportunity notify Finanstilsynet of changes in the undertaking's board of directors or operative management and of new owners of qualified holdings in the undertaking of which the undertaking is aware. Such notification shall contain the full name, address and organisation number or national identity number of the individuals concerned.

Chapter 7 Establishment of financial institutions

Section 7-1 *Exemption from requirements for approval of articles of association*

Changes to the articles of association of financial institutions and financial foundations may be made without a separate approval, except where the present regulations impose requirements for approval.
Section 7-2  Requirement for approval of changes to articles of association

The requirement for approval of changes to articles of association under the Financial Institutions Act section 7-10, subsection (1), applies to articles:

(a) concerning the entity's object and the activities to be carried on by the entity,
(b) providing that not all shares confer an equal right and interest in the entity,
(c) prohibiting the pledging of shares,
(d) concerning transfer of the general meeting's right to elect the board of directors to others,
(e) providing that up to one half of the board of directors shall be appointed by others than the general meeting,
(f) concerning more stringent requirements for majority decisions by the board of directors than a simple majority,
(g) concerning the application of profit and of assets in the event of dissolution, where the object of the institution's activities is not to procure financial gain for the shareholders.

For financial institutions that are not organised as private limited liability companies or public limited liability companies, the requirement for approval of changes to articles of association also applies to articles:

(a) providing that the entity shall be entitled to issue transferable equity certificates,
(b) prescribing how profits shall be applied and deficits covered, and rules for determining dividend if the entity is to distribute dividend on its ownerless capital (grunnfondskapital),
(c) prescribing how the entity is to be dissolved and the entity's capital distributed upon dissolution,
(d) that limit the right to transfer or to pledge equity certificates,
(e) providing that deficits at mutual life insurance undertakings or credit associations shall not be apportioned on the members,
(f) setting rules for membership of a credit association, and in the event rules for members' contributions, members' responsibility for the association's liabilities and their responsibility among themselves,
(g) concerning the size of any membership contributions to a cooperative, whether interest shall be payable on such contributions, and whether contributions shall be repaid upon members' withdrawal,
(h) whether a membership fee shall be payable.

For mutual insurance undertakings the requirement for approval of changes to articles of association also applies to articles concerning:

(a) the number of insurances and the overall insured amount that must be subscribed in order for the undertaking to start business,
(b) the rules governing membership and the members' mutual responsibility for the undertaking's liabilities,
(c) the members' liability to pay membership contributions and future contributions to the ownerless capital.
Section 7-3  Requirement for approval of changes to the articles of association of financial foundations

The requirement for approval of changes to articles of association pursuant to the Financial Institutions Act section 12-20, subsection (2), applies to articles concerning:

(a) the foundation's object and the activity the foundation is to carry on,
(b) the foundation's ownerless capital and how the foundation's assets are to be invested,
(c) how the foundation is to be dissolved and the foundation's assets distributed upon dissolution.

Section 7-4  Form of organisation and registration of payment institutions and electronic money institutions

Payment institutions and electronic money institutions shall be established and organised as public limited liability companies or private limited liability companies.

Payment institutions holding a licence under the Financial Institutions Act section 2-10 subsection (1) and subsection (3), their agents and branches shall be registered in a public register. The same applies to electronic money institutions, including such institutions as are exempted under section 2-7 of the present regulations.

Chapter 8  General meeting, governing bodies and control bodies etc.

Section 8-1  Composition of the general meeting etc.

At savings banks which have not issued owners’ capital (eierandelskapital), at least one-half of the members and alternate members of the general meeting shall be elected by and from among the bank's depositors. At savings banks that have issued owners’ capital, at least one-quarter of the members and alternate members of the general meeting shall be elected by and from among the bank's depositors. The same applies to savings bank foundations.

Depositors who hold, and for the past six months have held, a deposit with the bank of at least NOK 2,500 are eligible for election and entitled to vote.

At savings banks one-quarter of the members and alternate members of the general meeting shall be elected by and from among the bank's employees. If the number of members of the general meeting is not divisible by four, at least one-quarter of the members and of the alternate members shall be elected by the employees. However, this must not lead to more than one-quarter of the employees of the bank becoming members of the general meeting.
Section 8-2  Election of members to the general meeting etc.

The election shall be held by the end of April.

The general meeting's members and alternate members shall be elected for a term of four years. Of those members who are elected at the first election, at least one-quarter shall retire by drawing of lots at each of the next three elections, and at elections thereafter the longest serving members shall retire.

The chair of the institution's highest authority shall set the time and place of the election. At institutions where non-one has been designated chair of the general meeting, the articles of association shall contain provisions stating how the time and place of the election shall be determined. Information on the election shall be circulated no later than 14 days before the election is held and shall cover:

- provisions governing voting rights
- the period to which the election applies and the persons standing for election
- the location at which the election committee's recommendations are available for inspection.

Section 8-3  Exemption from the requirement for internal audit

The Financial Institutions Act section 8-16 does not apply to financial institutions which are not insurance undertakings and which for more than 12 months have held aggregate total assets below NOK 10 billion or form part of a financial group with aggregate total assets below NOK 10 billion.

At entities that do not have an internal audit function, the auditor shall submit an annual confirmation statement to the board of directors regarding risk management and internal control.

Section 8-4  Exemption from the requirement to prescribe in the articles of association that the assembled board of directors of the institution shall act as the institution's audit committee

A financial institution which for more than 12 months has held aggregate total assets above NOK 20 billion may not prescribe in its articles of association that the assembled board of directors of the undertaking shall act as the undertaking's audit committee, except where the exemptions set out in the Financial Institutions Act section 8-18, subsection (2), are applicable.

Section 8-5  Election committee

A financial institution which for more than 12 months has held aggregate total assets above NOK 20 billion shall have an election committee; see the Financial Institutions Act section 8-4, subsection (2).

The first subsection does not apply to a financial institution that is the subsidiary of a financial group.
Chapter 9 Officers and employees

Section 9-1 Prohibition of mutual representation

Where the articles of association of a financial institution require the designation of a chair of the general meeting, the Financial Institutions Act section 9-1, subsection (1), shall apply to such a chair. The same applies to any deputy chair of the general meeting.

Section 9-2 Maximum number of positions

Board members of a financial institution that for more than 12 months has held aggregate total assets above NOK 200 billion measured pursuant to the rules of Regulations of 22 August 2014 no. 1097 on Capital Requirements and National Adaption of CRR / CRD IV section 24, subsection (3), may not hold board positions additional to one of the following combinations:

(a) a management position in another institution plus two positions as board member or alternate board member
(b) four positions as board member or alternate board member.

In the determination of the number of positions under the first subsection, positions in two or more undertakings within the same financial group shall be regarded as a single position. Positions in organisations whose principal activity is not of a commercial nature shall not be included.

Finanstilsynet may by administrative decision permit board members to hold up to one extra position as board member.

Chapter 10 Equity capital

Section 10-1 Distribution formula in the event of an increase of owners’ capital

In the event of new subscription of equity certificates at financial institutions that have issued equity certificates previously, any positive difference between the book value per equity certificate and the nominal value shall be transferred to an equity premium reserve. Any positive difference between the subscription price and the book value per equity certificate shall be distributed between the equity premium reserve and the compensation fund based on the relative shares of total equity of the book value of the owners’ capital after new subscriptions and the book value of the ownerless capital (the ‘ownership fractions’). In the calculation of the ownership fractions, the equity premium reserve fund shall be added to the owners’ capital and the compensation fund shall be added to the ownerless capital.

Finanstilsynet may by regulations or administrative decision make further provision regarding the distribution of the equity capital effect associated with the application of new accounting rules, including rules on the distribution of the adjusted annual net profit in ensuing years in cases where the one-time effect is not distributed in accordance with the ownership fractions.
The calculation of book value per equity certificate shall be based on the latest audited annual financial statements. The latest available interim financial statements may be taken as a basis provided they have been confirmed by an auditor in accordance with the audit requirement for inclusion of interim profit and loss under Regulations of 1 June 1990 No. 435 on the measurement of own funds of banks, mortgage credit institutions, finance companies, pension undertakings, clearing houses and investment firms (own funds regulations).

At institutions that are obliged to keep consolidated annual accounts, the book value per equity certificate may be determined on the basis of the latest audited consolidated financial statements.

The owners’ capital's portion of any increase in other equity that is due to recognition in the consolidated financial statements of shares of subsidiaries' profits may be included in the basis for book value per equity certificate. Similarly, the owners’ capital's portion of other equity that corresponds to a positive difference between the balance sheet value and the acquisition cost of investments in related undertakings and joint ventures, may be included. The share of other contributed equity that is due to gains on the institution's sales of treasury equity certificates may be included in the basis for book value per equity certificate.

Other equity is assigned to ownerless capital in the calculation of the ownership fractions.

At institutions with wholly or part-owned companies that are accounted for using the equity method, the owners’ capital's portion of the revaluation reserve and the unrealised gains reserve may be included in the basis for book value per equity certificate.

Any goodwill items shall be deducted in the calculation of book value per equity certificate, including any goodwill included in the balance sheet value of investments in related undertakings and joint ventures and any goodwill items in the company accounts of related undertakings and joint ventures.

Chapter 11 External capital etc.

Part I Covered bonds

Section 11-1 Interest rate risk

A mortgage credit institution shall set a limit on interest rate risk that is justifiable in relation to the institution's own funds and potential loss in connection with interest rate changes, including changes resulting from parallel shifts of one percentage point across all yield curves and resulting from skewed yield curves. Yield curves shall be divided into time intervals, and the value changes for each time interval shall be limited to a prudent portion of the overall limit on interest rate risk set for the undertaking.

The limit on interest rate risk shall apply to each single cover pool and to the institution as a whole. If the institution has a number of cover pools, the own funds in this calculation shall be allocated in proportion to the overall value of each cover pool. The limit on interest rate risk within the
individual cover pool shall not exceed the limit on interest rate risk that applies to the institution as a whole.

**Section 11-2  Liquidity risk**

The institution shall set limits on differences between future payments and receipts.

The institution shall conduct periodical stress tests that document a satisfactory liquidity reserve and compliance with statutory requirements. In the calculation of liquidity risk account may be taken of committed drawing rights provided the counterparties qualify for credit quality step 2 or higher.

In this chapter, credit quality step means credit quality step as referred to in Regulations of 14 December 2006 No. 1506 on capital requirements for commercial banks, savings banks, finance companies, mortgage credit institutions, financial holding companies, investment firms and management companies for securities funds etc. (Capital Requirements Regulations) Part II on the basis of measurement of credit risk using the standardised approach.

**Section 11-3  Derivatives**

Derivative contracts as mentioned in the Financial Institutions Act section 11-8, subsection (1) (e), may only be entered into for the purpose of ensuring compliance with the asset coverage requirement and to ensure that the undertaking's payment obligations are complied with.

Derivative contracts may be entered into with:
1. Clearing houses established in the EEA or the OECD area
2. Member states of and central banks in the EEA or the OECD area
3. Credit institutions established in the EEA or the OECD area.

Such counterparties shall qualify for credit quality step 2 or higher.

In derivative contracts that form part of the same cover pool, off-setting of cash flows in the same currency and with the same maturity can be agreed between the parties. An institution may also agree that current derivative contracts shall be replaced with new contracts, so long as the asset coverage requirement and the liquidity requirement are met.

Claims against a mortgage credit institution that arise from a derivative contract may only be brought for the purpose of set-off against other contracts in the same cover pool when the administration board (administrasjonsstyre) imposes a halt to payments and set-off can be undertaken under the rules of the Satisfaction of Claims Act chapter 8.

The Securities Trading Act chapter 14 on set-off of certain financial instruments applies after a halt to payments has been imposed.

Where a counterparty to a derivative contract no longer fulfils the requirement for risk classification, that counterparty shall provide adequate collateral in the form of a cash deposit, guarantee or security interest in assets that meets the requirements of section 11-4, third and fourth subsections.
Section 11-4  Cover pool

Loans may not have a loan-to-value ratio above the following upon inclusion in the cover pool:

1. 75 per cent of prudent value in the case of residential mortgages.
2. 60 per cent of prudent value for commercial mortgages.

Loans secured on recreational property shall be regarded as commercial mortgages.

Public sector loans to central counterparties in the OECD area, but outside the EEA, shall have been granted to or guaranteed by counterparties qualifying for credit quality step 1 or better. Assets of this type that qualify for credit quality step 2 may constitute at most 20 per cent of the nominal value (face value) of outstanding covered bonds.

The requirement of the second subsection regarding risk classification applies equally where a public sector body is counterparty to derivative contracts or to contracts involving the use of assets as substitute assets. Claims on (exposures to) institutions which qualify for credit quality step 1 or 2 shall in aggregate not exceed 15 per cent of the nominal value (face value) of outstanding covered bonds. Claims on (exposures to) institutions qualifying for credit quality step 2 shall not exceed 10 per cent of the nominal value (face value) of outstanding covered bonds. Amounts due to the operation and management of the cover pool, including settlement of loans, and transfers of payments to preferential creditors, shall not be included in the calculation of the 15 per cent limit. The same applies to covered bonds issued by other institutions; see the fifth subsection. Claims on institutions within the EEA with a maturity of up to 100 days shall qualify for credit quality step 2 or better.

Loans may only be granted or acquired in cases where the central government in the country in which the collateral for the loan is present, or in which the borrower or guarantor in the case of a public sector loan is domiciled, qualifies for credit quality step 2 or better.

Substitute assets in the form of securities issued by credit institutions with a preferential claim over the cover pool under the Financial Institutions Act section 11-5 to section 11-15 or equivalent statute in another EEA member state and securities issued with a basis in securitised residential mortgage loans or commercial loans that qualify for credit quality step 1, may in aggregate constitute at most 20 per cent of the nominal value (face value) of outstanding covered bonds.

Within the constraints of the Financial Institutions Act, the cover pool may otherwise contain assets as determined by the authorities of the state concerned in accordance with the requirements of Regulation 575/2013, Article 129 (1) to (4).

Assets which do not conform to the above-mentioned risk classification, quantitative limits, loan to value ratios or other requirements under this section, may nonetheless be included in the cover pool, but shall not be included for the purpose of verifying the institution’s compliance with the asset coverage requirement under the Financial Institutions Act section 11-11. Assets which exceed the above-mentioned quantitative requirements or loan to value ratios may be included in respect of that portion which meets the requirements. The value of residential mortgages and commercial mortgages may be included up to the limits stated in the first subsection even if a subsequent value change indicates that the limits have been exceeded.
Interest rate and foreign exchange contracts and substitute assets shall be assigned to the cover pool and the associated bond issue to which the contracts and the substitute assets relate. Where a mortgage credit institution has issued two or more bonds not conferring a preferential claim over the same cover pool, interest rate and foreign exchange contracts and substitute assets shall be held in separate bank or CSD accounts for each cover pool.

The interest return on the cover pool shall at all times exceed the sum of the costs of the bond issues. In calculating the costs, account shall also be taken of the cash flows accruing from interest rate and foreign exchange contracts entered into.

Loans that are regarded as non-performing shall not be taken into account when measuring asset coverage.

In the assessment of compliance with the asset coverage requirement, loans, interest rate and foreign exchange contracts and substitute assets shall be measured at prudent market value. Bank deposits with 30 days' notice of withdrawal may be measured at nominal value. Bonds shall be valued at the sum of the discounted value of nominal value and the discounted coupon rate. Finanstilsynet may make further rules regarding the discount rate mentioned.

The Capital Requirements Regulations section 17-1 on general requirements on collateral, section 17-6, subsection 1(c) and (d), on requirements as to the valuation of real property and section 18-4, subsection 1(a), on fair value apply.

In the determination of new fair value pursuant to the Financial Institutions Act section 11-9, subsection (3), valuation of recreational property may also be based on general price levels, provided this is considered prudent in light of market conditions.

**Section 11-5  Requirements as to register and independent inspector**

The register of covered bonds shall contain:

1. An overview of the loans that contains information on
   (a) the borrower's name,
   (b) the borrower's personal identification number or organisation number,
   (c) the borrower's address,
   (d) the original and outstanding loan amount,
   (e) the loan's maturity structure and cash flow,
   (f) the titleholder, address and register designation of the collateral,
   (g) the value of the collateral,
   (h) the name, organisation number and address of any guarantor, and the amount and type of the guarantee,
   (i) any other claims the mortgage credit institution has against the borrower or the titleholder of the collateral, and
   (j) statistical data, appraisals and other material bearing on the current valuation of the collateral included in the cover pool.
2. An overview of assets and liabilities in the form of derivative contracts that contains information on
   (a) the counterparty's name or firm and any identity number, as well as the latest applicable rating,
   (b) the counterparty's address,
   (c) the original and outstanding contract amount,
   (d) the contract's maturity structure and cash flow,
   (e) the titleholder, address and register designation of any collateral, and
   (f) any other claims the mortgage credit institution has against the counterparty or titleholder of the collateral.

3. An overview of loans constituting the substitute assets that contains information on
   (a) the borrower's name or firm and any identity number, as well as the latest applicable rating,
   (b) the borrower's address,
   (c) the original and outstanding loan amount,
   (d) the loan's maturity structure and cash flow,
   (e) the titleholder, address and register designation of any collateral,
   (f) the name or firm and address of any guarantor, and
   (g) any other claims the mortgage credit institution has against the borrower or titleholder of the collateral.

4. An overview of covered bonds that contains information on their
   (a) nominal value,
   (b) interest terms, and
   (c) maturity date.

The inspector shall at least every third month check that the requirements as to asset coverage and registration of the bonds and the cover pool are met.

The inspector shall at least once a year submit a report on his verification procedures to Finanstilsynet. Should the inspector have cause to believe that the requirements are not complied with, the inspector shall inform Finanstilsynet accordingly. Circumstances which the inspector reports in diligent good faith to Finanstilsynet shall not be regarded as a breach of the duty of confidentiality and shall not entail liability.

The institution's appointed auditor may be designated as inspector.

Section 11-6 Joint recovery of debt, etc.

The provisions of the Financial Institutions Act section 21-12, subsection (1) (d), to the effect that payments to creditors may not take place without Finanstilsynet's approval and of section 21-15, subsection (2), on reduction of claims do not apply with respect to holders of covered bonds.

The costs of operation, management, recovery and realisation of the cover pool shall be met before the holders of covered bonds receive payment from the cover pool.
The administration board shall ensure that the cover pool is subject to satisfactory management that protects the assets in the cover pool. The board shall also ensure that the provisions on the composition of the cover pool and the provisions on liquidity, foreign exchange and interest rate risk are complied with on a continuous basis.

The administration board shall ensure that holders of covered bonds receive payment as agreed and in a timely manner out of assets over which they have a preferential claim.

The public administration of a mortgage credit institution shall not in itself be sufficient cause for termination or similar remedy on the part of holders of covered bonds.

The Act's requirement that assets forming part of the cover pool may not be pledged or subject to enforcement proceedings or set-off also applies after the expiry of the deadline stated in the Bankruptcy Act section 117, third subsection. This shall not prevent derivative contracts from continuing to run so that an agreed set-off of cash flows in the same currency and with the same maturity date in the same cover pool can be undertaken between the parties. Nor does this prevent the administration board from entering into an agreement to replace a derivative contract with a new contract, so long as the asset coverage requirement and the liquidity requirement are met.

The administration board may make any dispositions deemed necessary to enable redemption of preferential claims over the cover pool, including selling assets and issuing new bonds and derivative contracts conferring a preferential right. The administration board shall as soon as possible inform holders of covered bonds conferring a preferential right of decisions assumed to be of material significance to them.

The administration board may dispose over assets included in the cover pool solely for the purpose of meeting the requirement of timely payment.

If deemed necessary in consideration of the other creditors’ ability to enforce a claim, the board may sell the entire cover pool provided the proceeds obtained provide at minimum full satisfaction to holders of covered bonds.

By full coverage is meant settlement of interest rate contracts and foreign exchange contracts at market value based on the pricing of comparable interest rate contracts and foreign exchange contracts. Full coverage in respect of bond issues entails settlement of all accrued interest and charges as well as agreed future cash flow (principal and interest) up to the ordinary maturity date, discounted at the market rate for comparable bonds in the relevant currency.

The bankruptcy estate may without specific decision assume the debtor's position in the debtor's derivative contracts. The other party shall not be entitled to invoke the insolvency as a ground for termination based on the nature of the contract.

The size of the claims that have a preferential claim over the cover pool shall be calculated on the date that the administration board imposed a halt to payments. Claims shall be calculated by discounting to present value pursuant to the provisions of the ninth subsection.
Section 11-7  Asset coverage requirement

The value of the cover pool shall at any and all times constitute at least 102 per cent of the value of the bonds conferring a preferential claim over the cover pool.

Chapter 12 Corporate changes, winding up and conversion

Section 12-1  Transfer of insurance portfolio from a Norwegian insurance undertaking

An agreement concerning the transfer of an insurance portfolio written pursuant to the rules on the right of establishment or the right to provide services ensuing from the EEA Agreement requires approval from the Ministry of Finance also in cases where the transfer is not of significant scope.

Before permission is given for the transfer of an insurance portfolio to an insurance undertaking in another EEA member state, Finanstilsynet shall obtain confirmation from the home state authority to the acquiring entity that the insurance undertaking will fulfil the solvency requirements after the transfer has taken place. Before transfer from a Norwegian insurance undertaking’s branch in another EEA member state can take place, Finanstilsynet shall also obtain a statement from the supervisory authority of the branch state.

Finanstilsynet shall obtain approval for the transfer from the supervisory authority of the state(s) in which the risk or the liability is present. If neither a statement nor approval has been received from the supervisory authority within three months of the supervisory authority’s receipt of the request for a statement or approval, this shall be regarded as an approval.

In the event of transfer to an insurance undertaking established outside the EEA area, Finanstilsynet shall obtain confirmation from the supervisory authority to the acquiring entity that the transfer does not conflict with the legislation of that state, and that the supervisory authority approves the transfer.

Section 12-2  Obligations towards insurance policyholders in the portfolio that is transferred

In the event of transfer of an insurance portfolio between insurance undertakings in the EEA, the ceding undertaking shall inform the insurance policyholders that are affected by the transfer no later than four weeks before the transfer is carried out. If it is not possible to make contact with an insurance policyholder, the undertaking shall publish the permission for the transfer in a newspaper that is widely read in the area in which the risk or the liability is present.

Insurance policyholders are entitled to terminate the insurance contract within four weeks of notification of the transfer. Information from the insurance undertaking shall include the deadline for termination, the deadline for settlement in the event of termination, any expected changes in the premium level or insurance benefits and any other matters that may be of significance for the policyholder’s assessment.

If the information requirement is not met, or is met later than four weeks prior to the date on which the transfer is to be carried out, the insurance policyholder shall have a right of termination for a
period of four weeks after (s)he should have been aware of the transfer and of the right to terminate
the contract.

Chapter 13 Requirements on the activities of financial institutions

Section 13-1 Exemptions from the requirement for a risk committee

At financial institutions whose total assets have remained below NOK 20 billion for more than
12 months, the assembled board of directors may act as the institution’s risk committee.

Except as otherwise provided by Finanstilsynet, the requirement for a risk committee does not apply to:

(a) a financial institution that is a wholly owned subsidiary of a financial group whose parent
    company has a risk committee which assesses risk and capital needs pursuant to the
    Financial Institutions Act section 13-6 for the group as a whole
(b) a mortgage credit institution that issues covered bonds
(c) a finance company that has neither shares nor equity certificates quoted on a regulated
    market, or outstanding bonds or short term paper with a total nominal value of
    EUR 100 million or more.

Section 13-2 Risk committee’s tasks

The risk committee shall:

(a) prepare the board of directors’ assessment of risk and capital needs,
(b) maintain regular contact with the risk control function and receive relevant reporting
    from the institution’s control functions,
(c) review the institution’s risk policies at least once a year,
(d) monitor compliance with the institution’s risk policies,
(e) consider whether the pricing of the institution’s products takes due account of the
    institution’s business model and risk strategy.

Section 13-3 Safeguarding of funds by payment institutions and electronic money institutions

Payment institutions shall safeguard funds no later than at the end of the business day the day
after the funds were received.

Funds received by an electronic money institution, and that are not related to the issuance of
electronic money, shall be safeguarded in accordance with the first subsection.
Chapter 14 Capital and solvency requirements

Part I  Capital requirements for insurance holding companies

Section 14-1  Capital requirements for insurance holding companies

Insurance holding companies shall meet a minimum capital requirement equivalent to 45 per cent of the requirement calculated under the Financial Institutions Act section 14-10. The Financial Institutions Act section 14-1 to section 14-6 does not apply to insurance holding companies.

Insurance holding companies shall by 15 February each year report the position on compliance with capital requirements at the end of the preceding year to Finanstilsynet. Finanstilsynet may set further requirements on the content and format of such reports.

Finanstilsynet may determine that the first and second subsections shall also apply to financial holding companies that are exempted from the capital requirements provisions applying to banks etc. under Regulations of 22 August 2014 No. 1097 on capital requirements and national adaption of CRR / CRD IV section 14, subsection (6).

Part II  Capital requirements for payment institutions and electronic money institutions

Section 14-2  Payment institutions' own funds

A payment institution shall at all times maintain own funds constituting the higher of the following amounts:
(a) start-up capital, see the Financial Institutions Act section 3-4, or
(b) the amount resulting from calculation in accordance with paragraph (a), (b) or (c) of section 14-4, first subsection.

Finanstilsynet may set conditions for compliance with the capital requirements where a payment institution forms part of a financial group.

Section 14-3  Electronic money institutions' own funds

An electronic money institution shall at all times maintain own funds constituting the higher of the following amounts:
(a) start-up capital, see the Financial Institutions Act section 3-4, or
(b) the sum of
   - 2 per cent of the institution's average outstanding electronic money liabilities over the last six months, and
   - the amount calculated under paragraph (a), (b) or (c) of section 14-4, first subsection, for any payment service activity conducted by the institution that is not related to the issuance of electronic money.
Finanstilsynet may set conditions for compliance with the capital requirements where an electronic money institution forms part of a financial group.

Section 14-4 Calculation of payment institutions' and electronic money institutions' own funds requirements

Payment institutions and electronic money institutions shall at all times maintain own funds calculated in accordance with paragraph (a), (b) or (c) below:

(a) The payment institution's or electronic money institution's own funds shall amount to at least 10 per cent of the preceding year's fixed overheads. Finanstilsynet may adjust this requirement in the case of significant changes in a payment institution's or electronic money institution's activities compared to the preceding year. Where a payment institution or electronic money institution has conducted its activities for less than one year as at the date of calculation, the requirement shall be that the payment institution's or the electronic money institution's own funds shall amount to at least 10 per cent of the corresponding fixed overheads as projected in the business plan, unless the authorities concerned require an adjustment of that plan.

(b) The payment institution's or electronic money institution's own funds shall amount to at least the sum of the following items multiplied by factor \( k \) in the second subsection, where payment volume (PV) represents one twelfth of the overall amount of payment transactions executed by the payment institution in the preceding year:
   (i) 4.0 per cent of the first 5 million euro of payment volume;
   (ii) 2.5 per cent of the next 5 million euro of payment volume;
   (iii) 1 per cent of the next 90 million euro of payment volume,
   (iv) 0.5 per cent of the next 150 million euro of payment volume, and
   (v) 0.25 per cent of any remaining payment volume.

(c) The payment institution's or electronic money institution's own funds shall at least amount to the relevant indicator as defined under paragraph (i), multiplied by the multiplication factor defined in paragraph (ii) and by factor \( k \) defined in the second subsection.
   (i) The relevant indicator is the sum of the following items:
      - interest income,
      - interest expenses,
      - commissions and fees received, and
      - other operating income.
   Each item shall be included in the sum total with its positive or negative sign. Income from extraordinary or irregular items may not be used to calculate the relevant indicator. Expenditure on the outsourcing of operational functions to third parties may reduce the relevant indicator if the expenditure is incurred from an entity subject to supervision under EEA rules corresponding to Directive 2007/64/EC. The relevant indicator is calculated on the basis of the twelve-monthly observation at the end of the previous financial year. The relevant indicator must be calculated over the previous financial year. Own funds calculated in accordance with method (c) must however not be less than 80 per cent of the average of the previous three financial years for the relevant indicator. Where audited figures are not available, business estimates may be used.
   (ii) The multiplication factor shall be the sum of
      (a) 10 per cent of the first 2.5 million euro of the relevant indicator,
(b) 8 per cent of the next 2.5 million euro of the relevant indicator,
(c) 6 per cent of the next 20 million euro of the relevant indicator;
(d) 3 per cent of the next 25 million euro of the relevant indicator; and
(e) 1.5 per cent of any remaining amount of the relevant indicator.

Factor k, to be used pursuant to the first subsection, paragraph (b) and (c), shall be
(a) 0.5 in those cases where the entity only provides a payment service listed in the Financial
Contracts Act section 11, subsection (1) (d),
(b) 0.8 in those cases where the entity provides a payment service listed in the Financial
Contracts Act section 11, subsection (1) (e),
(c) 1.0 in those cases where the entity provides a payment service listed in the Financial
Contracts Act section 11, subsection (1) (a)-(c).

Chapter 15 Financial institutions' remuneration policies

Part I Credit institutions' and investment firms' remuneration policies

Section 15-1 Scope and purpose

Financial holding companies, banks, mortgage credit institutions, finance companies and
investment firms shall have a remuneration policy for the entire institution which shall promote and
incentivise sound management and control of the institution's risk, counteract high risk taking, and
contribute to the avoidance of conflicts of interest.

The provisions of section 15-4, second subsection, do not apply to investment firms which:
(a) are licensed solely to provide investment services as referred to in the Securities Trading Act
section 2-1(1) nos. 1 and/or 5, and
(b) do not possess client funds, and
(c) are unable to provide the related service 'safekeeping and management of financial
instruments', and holding companies whose sole function is to own such investment firms.

Section 15-2 Establishment and review of remuneration policy

The board of directors of institutions as referred to in 'Scope and purpose' section 15-1 shall
establish, and ensure that the undertaking at all times has in place and practices, a remuneration
policy that applies to the entire institution and its subsidiaries. The remuneration scheme shall
contain separate rules for senior employees, for other employees and officers with functions of
material significance for the institution's risk exposure and for other employees and officers with remuneration falling into the same bracket, as well as for other employees and officers with control functions.

In these regulations the term remuneration means the same as "salary and other remuneration" as
stated in the Public Limited Companies Act section 6-16(a). The institution must also ensure that
variable remuneration is not paid through ownership interests in related companies (internal
partnerships) or through methods that involve circumvention of the institution's rules governing remuneration.

A remuneration policy as referred to in the first subsection shall be in conformity with the institution's overarching objectives, risk tolerance and long-term interests.

The institution shall at least once a year conduct a review of its remuneration policy practices. The institution shall prepare a report in writing of each annual review. The report shall be reviewed by independent control functions. The report shall be transmitted to Finanstilsynet upon request.

Section 15-3 General requirements on remuneration policies

The policy shall establish which groups of employees are to be regarded as senior employees, as employees with functions of material significance for the institution's risk exposure, and as employees with control functions. In the decision of who is to be regarded as being of material significance for the institution's risk exposure, the institution shall also consider allowing the provisions of section 15-4 to apply to other employees and elected officers whose remuneration falls into the same bracket as senior employees and employees with functions of material significance for the institution's risk exposure.

The institution shall publish information on the institution's remuneration policy, including information on the main principles for determining remuneration, criteria for determining any variable remuneration, as well as quantitative information on remuneration of senior employees, employees with functions of material significance for the institution's risk exposure, other employees and officers with remuneration falling into the same bracket, and employees with control functions.

Institutions with more than 50 employees and institutions with total assets above NOK 5 billion shall have a distinct remuneration committee, appointed by the board of directors. The remuneration committee shall prepare all matters concerning the remuneration policy that are to be decided by the board of directors. The remuneration committee shall have at least one employee representative. Finanstilsynet may allow a single joint remuneration committee for entities in the same group.

Section 15-4 Remuneration of senior employees

For senior employees the composition of fixed and variable remuneration shall be appropriately balanced. The fixed component of the remuneration shall be sufficiently high to allow the institution the possibility of paying no variable component at all.

The variable remuneration shall not constitute more than the fixed remuneration, i.e. 100 per cent of the fixed remuneration. The general meeting, or equivalent body, may nonetheless resolve that variable remuneration may constitute up to twice the fixed remuneration, i.e. 200 per cent of the fixed remuneration, if the following conditions are met:

(a) The board of directors of the institution has given a reasoned recommendation for the solution. The recommendation shall indicate the number of employees who will be involved and their area of work, as well as the expected effect on the capital requirement.
(b) The general meeting's resolution is supported by at least two-thirds of the votes represented. If fewer than 50 per cent of the shareholders are represented at the general meeting, support is required from 75 per cent of the votes that are represented.

(c) The institution shall inform Finanstilsynet of the general meeting's resolution. The board of directors' recommendation to the general meeting shall be enclosed.

For the CEO and members of the management team as defined by the institution in a bank, a stipulation shall be that variable remuneration may not constitute more than one-half of the fixed remuneration.

Guaranteed variable remuneration may only be employed in special cases, solely in the context of hiring new staff, and shall be limited to the first year of engagement.

Where remuneration is performance-related, it shall be based on a combination of assessment of the individual concerned, the business unit concerned and the institution as a whole. Measurement of performance shall take into account the institution's risks and costs related to capital and liquidity needs. The basis for variable remuneration in terms of the institution's performance shall be a period of at least two years.

At least one-half of the annual variable remuneration shall be paid in the form of shares or other equity certificates issued by the institution or by another institution in the group, or in the form of contingent capital that reflects the development in the value of the institution, which may not be freely disposed over by the individual any earlier than evenly distributed over a period of at least three years. The period shall take account of the institution's underlying business cycle and the risk present in the institution. Such share of the variable remuneration shall be reduced if either the profit/loss trend of the institution or ensuing financial results so indicates.

Overall variable remuneration shall not restrict the institution's ability to strengthen its own funds.

Severance pay upon cessation of an employment relationship shall be aligned to the performance achieved over time, and designed in such a way that deficient performance is not rewarded.

Senior employees shall not have agreements or insurance that provide protection against lapse of performance-related remuneration.

In the calculation of the value of up to 25 per cent of the variable remuneration under the second and third subsections, Finanstilsynet may permit an institution to employ a discount factor set by Finanstilsynet. This variable remuneration shall be paid in the form of instruments with a maturity of at least 5 years. Such share of the variable remuneration may only be freely disposed over by the individual on a pro rata basis spread over a period of at least 5 years, and shall be subject to the same regulatory provisions as apply to variable remuneration that may not be freely disposed over by the individual for a period of at least three years.
Section 15-5 Remuneration of employees with tasks of material significance for the institution's risk exposure

The provisions of section 15-4, with the exception of the third subsection, apply mutatis mutandis to employees with tasks of material significance for the institution's risk exposure.

Section 15-6 Remuneration of employees with control tasks

Remuneration of employees with control responsibilities shall be independent of the performance of the business area that they control.

Section 15-7 Remuneration of officers

The provisions of section 15-4 with the exception of the third subsection and section 15-6, first subsection, apply to officers.

Section 15-8 Orders and sanctions

Finanstilsynet may issue an institution as mentioned in section 15-1 with an order regarding the design, change or reversal of a remuneration scheme. Finanstilsynet may set quantitative limits to the ratio of an institution's variable remuneration to the institution's net profit in order to protect the institution's capital base.

If an order issued by Finanstilsynet pursuant to these regulations is not complied with, Finanstilsynet may determine that the institution shall pay a daily cumulative fine until such time as the circumstance is rectified. Finanstilsynet may issue an order to refrain from variable remuneration. An order of a fine shall be enforceable by distraint.

Part I I Insurance undertakings' and pension undertakings'remuneration schemes

Section 15-9 Insurance undertakings' remuneration schemes

Insurance undertakings shall have in place remuneration schemes that meet the requirements of Article 258 para. 1(l) and Article 275 of Annex to Regulations of 21 December 2015 no. 1807 on supplementary rules to the Solvency II Regulations.

Section 15-10 Pension undertakings' remuneration schemes

A pension undertaking shall establish a remuneration scheme for the entire undertaking which shall promote sound management and control of the undertaking's risks. The scheme shall counteract excessive risk taking and contribute to the avoidance of conflicts of interest.

Four senior employees and employees with tasks of material significance for the institution's risk exposure, the composition of fixed and performance-related remuneration shall be appropriately balanced and build on financial results achieved over time. The fixed component of the
remuneration shall be sufficiently high to allow the institution the possibility of paying no variable component at all.

Remuneration of employees with control responsibilities shall be independent of the performance of the business area they control.

Chapter 16 Relationship to customers, marketing etc.

Part I  Bundled products

Section 16-1  Bundled products

A financial institution may not offer a service on condition that the customer concurrently purchases another service, or offer a customer particularly favourable terms on condition that this is done.

The provisions of the first subsection do not apply where a connection exists between two or more services such that the offer of one service presupposes the offer of another service.

The provisions of the first subsection do not apply where particularly favourable terms are due to the fact that an overall offering of two or more services provides cost savings.

Finanstilsynet shall decide in cases of doubt whether a term or condition conflicts with these provisions.

Finanstilsynet may in special cases grant dispensation from the provisions of this section.

Part II  Information obligations

Section 16-2  Information obligation for offerors of composite products

The provisions of Regulations of 29 June 2007 No. 876 to the Securities Trading Act chapter 10 apply to financial institutions' sales of and advice regarding composite products, with the exception of section 10-19, section 10-21 to section 10-24 and section 10-31 to section 10-37.

Financial institutions that offer composite products shall provide customers with the following information:

1. on the composite product:
   (a) indices or other defined market variables that are used and how these are calculated, including whether they are dividend adjusted and currency hedged, and the effect this will have on the expected return on the product,
   (b) the expected percentage distribution of the amount paid across the product's various components, including deposits, derivatives and total costs. This distribution shall also show the difference between the amount available for deposit in a bank or bond and the
amount that is actually employed for such deposit (the current value of the bond deposit or bank deposit),
(c) how the return on the product relates to the indices or market variables and how the return factor is configured, including how this factor is affected by the distribution of the amount paid, and whether a cap has been set on the rate of return,
(d) how large a percentage of the amount paid the customer can be certain of redeeming at the expiry of the maturity period,
(e) the counterparty risk and whether the amount paid is covered by the Norwegian Banks' Guarantee Fund.

2. on price and total costs:
(a) information about price and total costs, including subscription fees,
(b) the estimated upper and lower limit on the price of the product as a percentage of the paid amount, actual interest per annum on the bond or the bank deposit and the difference between the bond or deposit rate and the institution's actual borrowing rate for loans with the same maturity period,
(c) that different offerors may achieve different prices on the derivative component of the product depending on their strategic position in the market,
(d) costs that are additional to the costs related to the product, including CSD costs.

3. on return:
(a) an overview shall be provided of historical return over the last 5 years for the product's index or other defined market variables that are used. In the calculation of historical return, any limitations, including average calculation of future value, that the product imposes on the index or the market variables, shall be corrected for, such that the returns are comparable. Dividend and exchange rate fluctuations shall be adjusted for in the case of those indices and market variables where this is appropriate and account shall be taken of the product's maturity period. Return shall be stated as effective interest per annum. If the product's return is linked to indices or market variables where a five-year history is not possible to calculate, it shall be stated that the requirement of a five-year history is not met. Historical return shall be presented as follows:
(b) historical return shall be presented in diagram form. A reference graph for the same return without the limitations that the product imposes on return shall be shown in the same diagram,
(c) if historical return is based on constructed indices that do not provide a relevant picture of the returns history, such history shall not be reproduced in the information material.
(d) it must be made clear that historical return is no guarantee of future return,
(e) the effect of any limitations on the index's or market variable's return, and examples of positive or negative movements in the market, shall be stated,
(f) the highest and lowest possible return on the product shall be stated, as well as the probability of achieving this return in the case of products where this is relevant,
(g) the return that a risk free investment would have provided in the same period as the product's period of maturity shall be stated,
(h) a confidence interval for the product's return per annum shall be stated that will include the product's return with 70 per cent certainty. The interval shall be stated both without subscription fees and with the offeror's highest estimate of subscription fees,
(i) expected annual return on the product without subscription costs, as well as the expected annual return taking into account the offeror's highest estimate of subscription costs. The calculation should be based on reasonable assumptions supported by objective data,
(j) the return that the index or market variable must achieve in order for the customer to recover the amount paid,
(k) on termination and liquidity:
(l) the product's transferability,
(m) costs of and possible losses on exiting a product before maturity. If, upon termination, the product does not confer the right to the entire guaranteed amount, the size of the amount that the customer is entitled to recover shall be stated.

4. on debt financing of investments, secured against composite products:
(a) whether the institution provides loans, or assists in raising a loan from another institution, secured entirely or in part against composite products,
(b) effective interest rate per annum on the loan,
(c) effective interest rate per annum on the amount paid include borrowing costs, taking into account that only the guaranteed amount will be repaid.
(d) the return that the product must achieve in order for the customer to recover his or her equity. All interest and charges paid by the customer in connection with the loan must be taken into consideration.

5. on other circumstances
(a) relevant tax rules and the fact that they may be subject to change during the product's lifetime,
(b) vendors' special incentive programmes related to product marketing.

Section 16-3 Link to Finance Portal

Financial institutions that offer products about which information is posted at Finansportalen.no shall post easily visible links to Finansportalen.no on all digital platforms. The links shall be placed on the website's index page and where prices are presented.

The link to Finansportalen.no shall be worded as follows: "Compare our prices with those of other companies at Finansportalen.no".

Section 16-4 Information about insurance services posted on Finance Portal

Insurance undertakings that offer standardised products or product combinations as mentioned in the Insurance Activity Act section 7-5, subsection (1), to consumers in Norway, shall keep product information available to Finance Portal. Product information is deemed to be information on premiums, insurance terms and conditions along with matters on the part of the policyholder which according to the premium tariff will be given emphasis for the purpose of premium calculation.

The information shall be kept available by such means as are prescribed by Finance Portal.

Finance Portal shall notify insurance undertakings of what standardised products or product combinations it deems to be covered by the first subsection. Finance Portal may request that this information be made available at the earliest two months after it gave notification.
Section 16-5  Information about guarantee schemes

Credit institutions shall provide information as mentioned in section 16-5 of the Financial Institutions Act in a standardised format prescribed by the Norwegian Banks’ Guarantee Fund in accordance with Annex 1 to Directive 2014/49/EU.

Credit institutions may not use information about deposit guarantee schemes for advertising purposes in a manner that may affect the stability of the banking system or the confidence of depositors.

Part III  Dispute resolution scheme

Section 16-6  Obligation to be affiliated to a non-judicial dispute resolution scheme

Payment institutions and electronic money institutions that are licensed to carry on activities in Norway shall be affiliated to a non-judicial dispute resolution scheme as mentioned in the Financial Institutions Act section 16-3.

Part IV  Cash

Section 16-7  Solutions with a view to meeting increased demand for cash

Banks shall have in place solutions with a view to fulfilling the requirement of the Financial Institutions Act section 16-4, subsection (1), in the event of increased demand for cash resulting from disruption of access to the electronic payment systems. The solutions shall be specified and documented in a special plan.

The solutions shall be aligned to documented assessments of the risk of increased demand for cash in the event of disruption of access to the electronic payment systems. The risk mitigating effects of electronic preparedness solutions may be taken in into account. The solutions shall be tested regularly, and the result of the test shall be documented.

The plan and the solutions shall be updated at least every second year, or more frequently if so ordered by Finanstilsynet, and in the event of any change having taken place that calls for changes to the plan.

Chapter 17 Financial groups and cooperation agreements

Section 17-1  Insurance holding companies

Insurance holding companies shall be regarded as insurance undertakings under the Financial Institutions Act.
'Insurance group' means a financial group that consists exclusively of insurance undertakings.

Finanstilsynet may decide that the first subsection shall also apply to financial holding companies that are exempted from rules concerning capital requirements for banks etc. under Regulations of 22 August 2014 No. 1097 on capital requirements and national adaption of CRR//CRD IV section 13, subsection (6).

**Section 17-2  **Owner institution as the parent company of a financial institution**

In this section 'owner institution' means an owner institution as referred to in the Financial Institutions Act section 17-6, subsection (2)(c).

The limitations set by the Financial Institutions Act section 17-7, subsection (1), do not apply to owner institutions.

The Financial Institutions Act section 17-8 applies only between the owner institution and the financial institutions in the group.

The Financial Institutions Act section 17-9, subsections (2) and (3), only applies to owner institutions if the changes involve financial institutions.

Where the parent company of a financial group is an owner institution, the Financial Institutions Act section 17-10, subsection (1), concerning the group entity's name use applies only to the financial institutions in the group.

Where the parent company of a financial group is an owner institution, the Financial Institutions Act section 18-3 applies only to transactions to which the group's financial institutions are a party.

Owner institutions are obliged to provide such information as Finanstilsynet deems necessary in order to conduct appropriate and effective supervision of the financial institutions in the group.

**Chapter 18 Business of financial groups, consolidation etc.**

**Chapter 19 Deposit guarantee scheme for banks**

**Part I  EEA branches**

**Section 19-1  **EEA branches' membership of the deposit guarantee scheme**

Before a Norwegian branch of a credit institution with its head office in another EEA member state can become a member of the deposit guarantee scheme, the Norwegian Banks' Guarantee Fund shall in cooperation with the home state's deposit guarantee scheme clarify which deposits are covered under the home state's scheme, and which deposits shall be covered by the deposit guarantee scheme.
The Norwegian Banks' Guarantee Fund may reject an application for branch membership, or set special conditions for membership, should the applicant's capital adequacy, or considerable uncertainty with regard to the development of the applicant's capital adequacy, so warrant.

A branch may be enrolled as a member at the earliest six months after the Norwegian Banks' Guarantee Fund's receipt of an application for such membership. Membership shall be approved by Finanstilsynet before the branch member is enrolled.

The provision of the third subsection shall not apply in the event of the conversion of a subsidiary that is a member of the deposit guarantee scheme to a branch. The supervisory authorities and deposit guarantee schemes involved shall be notified without delay once it is clear that conversion will take place. Finanstilsynet may make further provision regarding continuation of membership of the deposit guarantee scheme in the event of such conversion.

**Section 19-2 Calculation of fees for branches**

'Covered deposits' at a branch are calculated as the depositors' aggregate deposits up to NOK 2 million, from which shall be deducted that portion of the deposit which is to be covered under the home state's deposit guarantee scheme.

The definition of covered deposits at a branch has no bearing on the Norwegian Banks' Guarantee Fund's actual liabilities or right to cover deposits

**Section 19-3 Coverage of deposits at branches**

The Norwegian Banks' Guarantee Fund shall cover losses on deposits incurred by depositors at the branch, from which shall be deducted the amount to be covered by the home state's deposit guarantee scheme. Whether, or at what point in time, the home state's deposit guarantee scheme covers its share has no bearing on the Norwegian Banks' Guarantee Fund's liabilities. The Norwegian Banks' Guarantee Fund is not entitled to cover losses beyond the covered amount.

A depositor with a branch in Norway is deemed to be a depositor that has made a direct deposit with, and has a natural connection to, the branch. Finanstilsynet may make further provision concerning who shall be regarded as a depositor. Finanstilsynet shall decide cases of doubt.

Branches shall inform their depositors what types of deposit are covered, the amounts that are covered, and which deposit guarantee scheme covers which deposits or parts of a deposit.

**Section 19-4 Contact with authorities and deposit guarantee schemes in the branch's home state**

The Norwegian Banks' Guarantee Fund and the home state's deposit guarantee scheme shall enter into an agreement that shows which deposits and which amounts are covered by, respectively, the home state's deposit guarantee scheme and the Norwegian Banks’ Guarantee Fund. It shall be clear from the agreement how deposits shall be set off against depositors' overdue liabilities towards the branch.
The agreement shall also ensure that the Norwegian Banks' Guarantee Fund is given access to the information needed in order to calculate the Fund's coverage obligations.

Finanstilsynet and the supervisory authorities of the branch's home state shall enter into an agreement that ensures Finanstilsynet the information it needs in order to discharge its functions under these regulations, including information:
1. on the home state's deposit guarantee scheme and the branch's deposits,
2. on the branch member's capital adequacy,
3. on significant negative developments on the part of the branch member and/or its branch,
4. on how Finanstilsynet shall be notified before the branch member is placed into public administration, become subject to bankruptcy proceedings or the like, and
5. sufficient to enable Finanstilsynet to discharge its functions under the fourth subsection.

Finanstilsynet shall pass on to the Norwegian Banks' Guarantee Fund information from the home state's supervisory authorities that the Fund needs in order to consider an application for membership.

Section 19-5 Contributions in the event of changes in activities

If a member withdraws from the deposit guarantee scheme and becomes a member of a deposit guarantee scheme in another EEA member state, the contributions paid during the 12 months preceding the end of the membership shall be transferred to the other deposit guarantee scheme. The first sentence shall not apply to extraordinary contributions under section 19-10, subsection (2), of the Financial Institutions Act or to contributions from institutions that have been excluded pursuant to section 19-6, subsection (3), of the Financial Institutions Act.

If some of the activities of a credit institution are transferred, the contributions transferred shall be in proportion to the amount of covered deposits transferred.

Section 19-6 Branch member in a public administration or bankruptcy situation

In a situation of public administration or bankruptcy, Finanstilsynet shall ensure that the interests of depositors of the branch in Norway are protected.

In a situation of public administration or bankruptcy, a branch may not take deposits, assume new commitments or expand previous commitments without Finanstilsynet's approval.

Finanstilsynet shall consult the home state's supervisory authorities before approving any payment to depositors.

Part II Branches outside the EEA

Section 19-7 Covered deposits

In the case of deposits received from member institutions headquartered in Norway through a branch established in a state outside the EEA, the limit of protection with respect to covered
deposits is an amount in Norwegian kroner equivalent to EUR 100,000 per depositor per member institution. The same applies to deposits that a member institution has received through cross-border activity carried on in a state outside the EEA.

Part III Other provisions

Section 19-8 Depositor

Where two or more persons hold a joint deposit account, each of them shall be regarded as a depositor, and each person’s share of the credit balance shall be used as a basis for calculating the limits provided for in section 19-4, subsection (1), of the Financial Institutions Act. The same applies where two or more persons have rights over funds in the same deposit account.

Members of a business partnership, association or grouping of a similar nature that is not a legal personality, shall be deemed to be a single depositor

Chapter 20 Capital inadequacy and insolvency at banks, mortgage credit institutions and financial groups

Part I General provisions

Section 20-1 Scope of application

This chapter applies to institutions and activities covered by chapter 20 of the Financial Institutions Act.

Section 20-2 Implementation of European regulations

Finanstilsynet may adopt Norwegian regulations corresponding to the provisions of European regulations made pursuant to Directive 2014/59/EU with necessary adaptions, including:

12) Commission Implementing Regulation (EU) 2018/308 of 1 March 2018

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Section 20-3  Obligation of confidentiality

The confidentiality obligation resting upon board members and officers under section 7 of the Financial Supervision Act and section 13 of the Public Administration Act shall not prevent information from being disclosed to the Norwegian Banks’ Guarantee Fund, other EEA member states’ resolution authorities or the Single Resolution Board to the extent necessary to perform tasks required by or pursuant to law.

Upon surrendering information to authorities as mentioned in the first subsection, Finanstilsynet shall set the following conditions:

1) The information may be used solely for the purpose of carrying out resolution tasks as mentioned in chapter 20 of the Financial Institutions Act with appurtenant provisions of regulations.

2) The information shall be regarded as confidential by the recipient and may only be passed on with the consent of Finanstilsynet and only for the purposes for which the consent is given.

Information that Finanstilsynet has received from foreign supervisory authorities or resolution authorities may only be passed on with the consent of the authority concerned and only for the purposes for which the consent is given.

Part II  Minimum requirements on eligible liabilities

Section 20-4  Minimum requirements on the sum of own funds and eligible liabilities

The minimum requirement on the sum of own funds and eligible liabilities as mentioned in the Financial Institutions Act, section 29, shall comprise a loss-absorbing amount and a recapitalisation amount.

Section 20-5  Loss-absorbing amount

The loss-absorbing amount shall be equivalent to the higher of:

(a) the sum of the minimum requirement on own funds under the Financial Institutions Act, section 14-1, any order made under the Financial Institutions Act, section 14-6, subsection (3)(b), and buffer requirement under the Financial Institutions Act, section 14-3, and
(b) the leverage ratio requirement under the CRR/CRD IV Regulations, section 5.

Finanstilsynet may in special cases set a higher or lower loss-absorbing amount.
Section 20-6 Recapitalisation amount

The recapitalisation amount shall be set on the basis of needs identified in the resolution plan. Unless it is stated in the resolution plan that the recapitalisation amount may be zero or low because the institution should be wound up under the Financial Institutions Act, section 29, if it is failing, the recapitalisation amount shall be set at the higher of:

(a) the sum of the minimum requirement on own funds under the Financial Institutions Act section 14-1, any order made under the Financial Institutions Act, section 14-6, subsection (3) (b), and buffer requirement under the Financial Institutions Act, section 14-3, with the exception of the countercyclical capital buffer requirement, and
(b) the leverage ratio requirement under the CRR / CRD IV Regulations, section 5.

Finanstilsynet may set a higher recapitalisation amount than that indicated in the first subsection if this is necessary in order to:

(a) ensure that the institution is able to meet requirements of law and regulations for a period of up to one year after resolution,
(b) compensate for the expected exclusion of some liabilities from bail-in, or
(c) ensure the fulfilment of conditions set for receipt of funds from the resolution financing arrangement pursuant to the Financial Institutions Act section 20-52, subsection (4).

Finanstilsynet may set a lower recapitalisation amount than that indicated in the first subsection if:

(a) a lower recapitalisation amount is assumed to be sufficient for the institution to achieve market confidence and maintain critical functions,
(b) the recapitalisation of the institution is assumed to be implementable on the basis of lower risk-weighted assets after resolution as stated in the resolution plan, or
(c) the deposit guarantee fund’s expected contribution under the Financial Institutions Act section 20-54 can be reliably quantified.

Section 20-7 Requirement of lower priority etc.

The recapitalisation amount shall be met by own funds or debt instruments with lower priority than ordinary senior unsecured debt. Finanstilsynet may derogate from the first sentence.

For subsidiaries of Norwegian financial institutions where the parent or other entity in the group is designated as the resolution entity, the requirement of the first subsection shall be met in addition to the requirement that the eligible liabilities shall have been issued to the group’s resolution entity.

The second subsection applies mutatis mutandis to Norwegian subsidiaries of foreign institutions, and the minimum requirement under section 20-4 shall be set by Finanstilsynet in consultation with the resolution authority of the EEA members state(s) affected.
Section 20-8  *Holding of eligible liabilities*

Finanstilsynet may establish further rules concerning restrictions on and treatment of an institution’s holding of eligible liabilities issued by the institution itself or by other institutions.

Section 20-9  *Publication of information*

Institutions for which a minimum requirement has been set under sections 20-4 to 20-6 shall publish information about this requirement and about the capital and debt that meet the requirement, including information on maturity profile and order of priority.

Finanstilsynet may adopt further rules regarding the frequency of and format for the publication of information.

**Part III  Resolution financing arrangement**

Section 20-10  *Risk adjustment of contributions to the resolution financing arrangement*

When risk adjusting contributions to the resolution financing arrangement under section 20-51, subsection (3), of the Financial Institutions Act, Finanstilsynet shall utilise additional risk indicators as set out in EEA rules corresponding to Regulation (EU) 2015/63, Article 6, paragraph 5.

References to amounts in euro shall be understood as references to an equivalent amount in Norwegian kroner.

**Part IV  Transitional provisions**

Section 20-11  *Transitional provisions*

The requirement of lower priority as referred to section 20-7, first subsection, shall be met by 31 December 2022. Up to that date Finanstilsynet shall follow up the institutions’ plans for issuance of instruments that meet the requirement.

Finanstilsynet may defer the deadline in the first subsection for individual institutions based on the institution’s possibilities for issuing instruments that meet the requirement of section 20-7, first subsection; the timing of the first decision on the institution’s minimum requirement under sections 20-4 to 20-6; and other circumstances indicating that the institution should be granted a deferred deadline.

For institutions with total assets below NOK 5 billion, and for investment firms, the requirement of a recovery plan under section 20-5 of the Financial Institutions Act shall be met by 1 January 2020.
Chapter 20A Guarantee schemes for insurance

Section 20A-1 Guarantee scheme for non-life insurance

The guarantee scheme only covers claims that relate to an insured risk that exists in Norway.

An insured risk is deemed to exist in Norway in the case of
- (c) insurance of real property or real property with contents that are covered by the same contract, when the property is located in Norway,
- (d) insurance of means of transport, when the means of transport is registered in Norway,
- (e) insurance that covers risks connected to travel or vacation, provided the insurance was taken out in Norway and the contract has a duration of a maximum of four months, or
- (f) insurance other than insurance as mentioned in (a), (b) or (c), when the insurance covers a policyholder or an insured who is normally resident in Norway or, if the policyholder or insured is a legal person, when the activity to which the contract relates is in Norway.

The guarantee scheme does not cover:
- (a) credit insurance,
- (b) life insurance that may be offered by non-life insurance undertakings under licence from Finanstilsynet,
- (c) energy insurance,
- (d) aviation insurance,
- (e) marine insurance, except where the insurance covers ships not subject to a registration requirement, see Act of 24 June 1994 No. 39 on Shipping (Shipping Act) section 11, second subsection, or fishing vessels up to and including 50 gross tonnes that are registered in the Ship Register, see the Shipping Act section 11, first subsection, first sentence.
- (f) business insurance when the insurance relates to an entity which at the time the contract is entered into or upon subsequent renewal fulfils at least two of the following conditions
  - has more than 250 employees,
  - has a turnover of at least NOK 100 million according to the latest annual report and accounts,
  - has assets of at least NOK 50 million according to the latest balance sheet,
- (g) insurance claims that are reinsured by entities as referred to in Act of 10 June 2005 No. 44 on insurance undertakings, pension funds and their activities etc., section 15-8 (captive insurance undertakings) where the insurance contract is entered into by a party belonging to the circle for which the captive insurance undertaking was established.
- (h) insurance claims from public sector bodies.

However, the guarantee scheme covers liability insurance taken out to comply with an order set out in or issued pursuant to law (compulsory liability insurance).

The guarantee scheme shall not cover more than 90 per cent of each individual claim. Claims under insurance policies for dwellings and compulsory liability insurance shall nonetheless be met in full.

The guarantee scheme shall not cover insurance claims in excess of NOK 20 million for each claim for each insured for each insured event; see Act of 16 June 1989 No. 69 on insurance contracts, section 1-2(c) first sentence.
Section 20A-2 Membership of the guarantee scheme for non-life insurance

The following undertakings shall not be members of the guarantee scheme:
   (a) Insurance undertakings which are exempted from the provisions of the Act on Insurance Activity and the Financial Institutions Act,
   (b) Mutual undertakings that are entitled to and each year undertake a retrospective assessment of their policyholders, and
   (c) Undertakings that do not cover risk falling within the scope of the guarantee scheme.

Undertakings shall however be members of the guarantee scheme if they cover liability insurance written in order to comply with an order set out in or issued pursuant to law (compulsory liability insurance).

A Norwegian branch of a non-life insurance undertaking with its head office in another EEA member state shall be exempted from the requirement of membership if the undertaking is a member of a guarantee scheme for non-life insurance in its home state and the branch provides evidence that the scheme covers insurances coming under the Norwegian guarantee scheme to virtually the same extent.

Section 20A-3 Members' obligation to inform policyholders

Finanstilsynet shall lay down rules governing the obligation of the members of the guarantee scheme to inform policyholders which guarantee scheme applies to the member and what guarantee the scheme provides in respect of insurance liabilities.

Section 20A-4 Members' liability towards the guarantee scheme

Deductions shall be made in the basis for calculating members' liability to the guarantee scheme for premium revenues from energy insurance, aviation insurance, marine insurance, except coastal hull insurance, and insured risks that do not exist in Norway.

Each member shall in a separate liability item on their balance sheet each year set aside 1 per cent of the basis for calculation until that member's maximum liability is covered.

In subsequent years the amount of any shortfall shall be set aside, or the provision in the event reduced, such that the overall provision equals the member's maximum liability at all times.

After capital has been called in, Finanstilsynet shall lay down rules governing replenishment of the volume.

Return on the funds set aside shall accrue to the member undertaking.

The second to fifth subsections do not apply to branches of insurance undertakings with their head office in another EEA member state.
Section 20A-5 Payments by the guarantee scheme

The guarantee scheme's board of directors may base its decision to make a payment on the administration board's approval of an insurance claim. If the insurance claim is disputed by the administration board, the party advancing the claim may be advised to bring legal action against the insurance undertaking or the estate.

The guarantee scheme's board of directors may enter into an agreement with the administration board whereby the administration board shall make payments on behalf of the guarantee scheme. Payments by the guarantee scheme to an estate in administration for distribution to parties entitled to coverage of claims shall not be included in the assets of the estate in administration.

The guarantee scheme does not cover interest claims. However, this does not apply to interest claims related to house insurance or compulsory liability insurance.

The board of directors may set instalments for payments. Where payments are made by the guarantee scheme, the board of directors may first decide to cover up to NOK 5 million, including interest, of each claim for each insured party for each insured event. The board of directors may, if it considers it necessary, decide to cover only parts of a claim (reduction). In the assessment of whether or not a claim shall be reduced and to what extent, account shall be taken of the party entitled to cover, the type of insurance and the circumstances in general.

A decision concerning payment by the guarantee scheme may be appealed to the Ministry of Finance.

Section 20A-6 Guarantee scheme's board of directors and the board's activities

Finanstilsynet is secretariat to the board of directors of the guarantee scheme.

Finanstilsynet may convene the board of directors when it considers this to be necessary. Finanstilsynet shall convene the board of directors when there is reason to fear that a member of the guarantee scheme will be unable to discharge its liabilities under the insurance contracts.

The board of directors may establish a line of credit to safeguard the guarantee scheme's liquidity.

If the payments from members are not sufficient to cover the guarantee scheme's liabilities, the board of directors may take out a liquidity loan to cover the liabilities.

The guarantee scheme shall prepare an annual report and annual financial statements. These shall be subject to audit.

Act of 19 May 2006 relating to the right of access to documents held by public authorities and public undertakings (Freedom of Information Act) is applicable to the activities of the guarantee scheme.

Act of 10 February 1967 relating to procedure in cases concerning the public administration (Public Administration Act) chapter II, section 13 to section 13(f), section 18 to section 21 and section 35.
apply to the activities of the guarantee scheme. In relation to decisions concerning payments by the guarantee scheme, section 23 to section 25 and section 27, as well as chapter VI, apply insofar as appropriate.

Section 20A-7 Branches' membership and coordination with guarantee schemes in the entity's home state

A Norwegian branch of an insurance undertaking with its head office in another EEA member state shall each year report to Finanstilsynet its gross premiums earned on insurances that are covered by the guarantee scheme.

Where such a branch is also a member of the guarantee scheme of its home state, the Norwegian guarantee scheme shall, if possible, enter into an agreement with the home state's guarantee scheme that states:

(a) which claims are to be covered by the Norwegian guarantee scheme and the home state's guarantee scheme respectively,

(b) that the guarantee scheme is assured such information from the home state's guarantee scheme as is necessary to be able to calculate the Norwegian guarantee scheme's payment liabilities in situations where such liabilities are activated,

In a situation of public administration or bankruptcy, Finanstilsynet shall ensure that the interests of the Norwegian branch policyholders are protected.

In a situation of public administration or bankruptcy, a branch may not write or renew insurance policies without Finanstilsynet's authorisation.

Finanstilsynet shall consult the home state's supervisory authorities before approving any payment to policyholders.

Chapter 21 Capital inadequacy and public administration

Section 21-1 Public administration of a branch of a bank with its head office in a foreign state

Where a bank with its head office in a foreign state and with a branch in Norway no longer honours its commitments in Norway as and when they fall due, at the same time as the bank honours its commitments in the home state as and when they fall due, or the measures instituted by the home state authorities with respect to the bank with a view to continued operation do not have effect for the branch in Norway, the Ministry of Finance may decide that the branch shall be placed into public administration. Any decision concerning public administration shall encompass all the bank's assets and liabilities in Norway.

A decision concerning public administration of a branch of a bank with its head office in another EEA member state may be adopted where the Ministry of Finance considers it to be a necessary and proportionate measure for ensuring that central considerations under EEA rules corresponding to Directive 2001/24/EC are complied with.
The provisions of the Financial Institutions Act section 21-7, section 21-11, subsection (1), third and fourth sentence, subsections (3) and (4) and section 21-12 to section 21-20 apply *mutatis mutandis* to the public administration of branches in Norway of banks with their head office in a foreign state.

Further provisions on the Act's application to the branch concerned may be laid down in the decision regarding public administration.

The administration board may enter into an agreement with the home state's authorities or with the bank's representatives in the home state regarding the implementation of public administration in Norway with a view to safeguarding central considerations and provisions of Directive 2001/24/EC. The agreement is subject to Finanstilsynet's approval.

The Bankruptcy Act section 87 on the provision of security for the administrator in bankruptcy's liability applies *mutatis mutandis* to the members of the administration board.

Finanstilsynet may make further provision regarding the implementation of public administration.

**Chapter 22 Penalties. Sanctions**

**Chapter 23 Entry into force and transitional provisions**

**Section 23-1 Entry into force**

These regulations enter into force on 1 January 2017.

**Section 23-2 Transitional rules**

The provisions of section 9-2, subsection (1), on the maximum number of positions apply solely to board members that are appointed for the first time or are reappointed after 1 January 2018.

The provisions of section 15-1 to section 15-8, with the exception of section 15-4, subsection (2), on remuneration policies etc., apply *mutatis mutandis* to management companies for securities funds up to the entry into force of Act of 16 December 2016 No. 90, Part III.