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SELECTED ISSUES

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Approved By
European Department

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IMPLICATIONS OF NORDEA'S REDOMICILE TO FINLAND[1]

A. Introduction

1. In October 2018, the Nordic banking group Nordea relocated it's headquarters from Sweden to Finland. The stated motivation was to seek a "level playing field"—a common multinational regulatory framework—with Finland the choice of headquarters as the sole Nordic country already part of the banking union.[2] The relocation of headquarters increases the size and complexity of the Finnish banking sector, placing increasing demands on supervision and crisis preparedness. In addition, Nordea is now under the purview of euro area institutions, such as the Single Supervisory Mechanism and the Single Resolution Board.

2. This note summarizes Nordea's operations and business model; the macroeconomic and prudential implications of the move; and policy responses taken so far. Staff's assessment is that banking supervision in the euro area has improved significantly following the creation of the Single Supervisory Mechanism, which should mitigate potential risks from Nordea's move; meanwhile, the Nordic authorities have done much, in conjunction with the ECB, to ensure that potential gaps and fragmentation across national jurisdictions are avoided. The resolution framework is designed to prevent taxpayers having to bail out banks, but is fairly new, and work on building the crisis preparedness of euro area banks is still underway. The banking union is not yet complete, details of the backstop for the Single Resolution Fund need to be finalized and a common euro area deposit insurance should be made fully operational. At the same time, Nordea is also operating in non-euro area member states—maintaining cooperation between euro area and non-euro area institutions remains important.

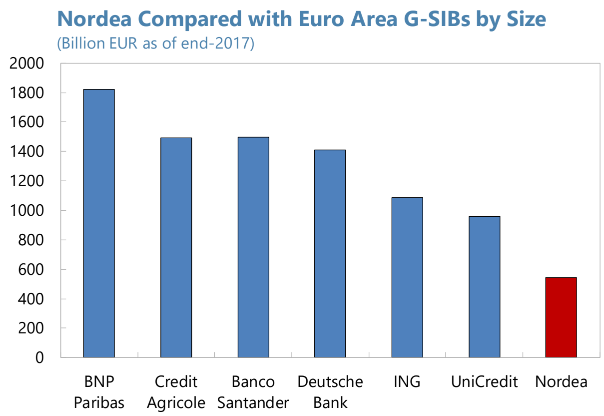
B. Nordea's Operations

3. Nordea is a financial services group, originally formed in 2000 by merging Danish, Finnish, Norwegian and Swedish banks. It provides personal, commercial, and wholesale banking, asset and wealth management, and economic research and analysis. Nordea is listed on the stock exchanges of Copenhagen, Helsinki and Stockholm, with the largest shareholder being Sampo, the Finnish financial holding company, which holds a 21 percent stake.

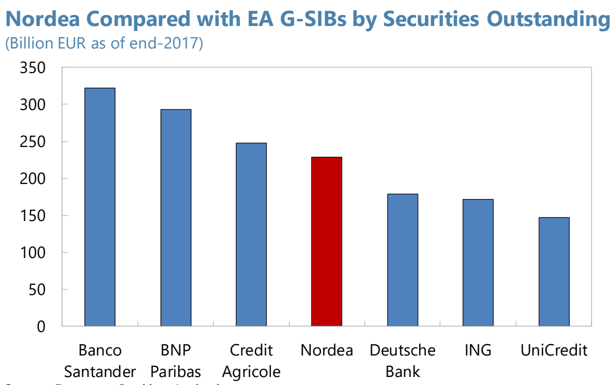
[1] Prepared by Alasdair Scott (EUR) and Lucy Gornicka (MCM).

[2] From Nordea's press release on September 6, 2017: "Nordea's unique pan-Nordic and international structure has meant that existing national regulatory frameworks do not fully accommodate Nordea's operating model and recent strategic developments. Domiciling in a country that is participating in the banking union will mean that Nordea will be subject to the same regulatory framework as our European peers, with greater consistency of application and therefore more of a level playing field. We see the move as an important strategic step in positioning Nordea on a par with its European peers."

4. Nordea is systemically important for Nordic economies. Its balance sheet was €582 billion as of end 2017, making it relatively small compared with euro area G-SIBs.[3] However, Nordea is relatively highly interconnected and has considerable cross-jurisdictional activities, compared to several larger G-SIBs.[4]



Source: European Banking Authority.



Source: European Banking Authority.
Note: Securities outstanding are a measure of systemic risk due to interconnectedness (EBA and Basel Committee methodology).

Moreover, Nordea's loan and deposit market shares place it among top three banking institutions in each of the four Nordic countries. Nordea is therefore significantly exposed to all four Nordic economies, with lending to Nordic countries accounting for almost all of its loan portfolio.

Table 1. Nordea: Lending by Country

Country	Total Loans (millions of euros)	Share of Total (percent)	Share of Domestic GDP (percent)
Denmark	80497	24.9	27.9
Finland	62620	19.4	28.0
Norway	56391	17.4	15.9
Sweden	115448	35.7	24.2
Other	8590	2.7	
Total	323546	100.0	

Sources: Nordea 2017 Annual Report, Eurostat, staff calculations

The loan portfolio accounts for just over half of assets; lending is split almost equally into corporate and household loans (of which most are mortgage loans).

[3] Nordea had been classified by the Financial Stability Board as one of the 30 global systemically-important banks (G- SIBs). It has been dropped from that list in the most recent classification published on 16 November 2018; see http://www.fsb.org/2018/11/2018-list-of-global-systemically-important-banks-g-sibs/.

[4] See the European Banking Authority's measures of systemic importance, http://www.eba.europa.eu/risk-analysis-and-data/global-systemically-important-institutions/2018.

Table 2. Nordea: Loan Portfolio		
Category	Loans (millions of euros)	Share of Total (percent)
Household mortgage	132477	40.9
Household consumer	26107	8.1
Corporate	147008	45.4
Public sector	4565	1.4
Central banks and credit institutions	13388	4.1
Total	323545	100.0

Sources: Nordea 2017 Annual Report, staff calculations

Nordea is relatively more active than other banks in Finland in capital markets: interest-bearing securities account for 13 percent of assets, derivatives 8 percent, and shares and investments in unit trusts 7 percent.

5. **The group draws equally on deposit and wholesale funding.** (Non--financial private sector) deposits account for about one third of liabilities. The bank actively issues debt securities, also accounting for about one third of liabilities.

Table 3. Nordea: Liabilities		
Category	Lending (millions of euros)	Share of Total Non-Equity Liabilities (percent)
Deposits from credit institutions	39983	7.3
Deposits from the public	172434	31.4
Debt securities in issue	179114	32.7
Derivatives	42713	7.8
Other liabilities	114052	20.8
Total non-equity liabilities	548296	100.0

Sources: Nordea 2017 Annual Report, staff calculations

Nordea's mortgage lending is funded primarily through issuance of covered bonds, collateralized by the underlying mortgage portfolios—nearly two thirds of debt securities in issue in 2017 were covered bonds.

Table 4. Nordea: Debt Securities		
Category	Lending (millions of euros)	Share of Debt Securities in Issue (percent)
Certificates of deposit	10743	6.0
Commercial paper	24441	13.6
Covered bonds	111701	62.4
Other bonds	32186	18.0
Other	43	0.0
Total	179114	100.0

Sources: Nordea 2017 Annual Report, staff calculations

6. The group is well capitalized and meets liquidity requirements. In 2017, the Tier 1 capital ratio was 19.3 percent, with a total capital ratio of 24.6 percent. The EBA's 2018 EU-wide stress tests showed that Nordea's capital ratio would remain above regulatory requirements under a severe stress scenario.[5] The leverage ratio was 5.2 percent.[6] Around 80 percent of liabilities have maturities above one year, although most deposits by the public are expected to be recovered within 12 months. The Net Stable Funding Ratio was 103.5 percent, compared with the Basel Committee's recommendation of 100 percent. Nordea's liquidity ratios are above regulatory minima; the group's Liquidity Coverage Ratio (LCR) averaged 147 percent through 2017.[7]

7. The group has performed well in recent years: in 2017, the return on equity was 9.5 percent, impaired loans were 1.7 percent. Nordea has ratings of Aa3 from Moody's and AA- from S&P and Fitch—these ratings were reaffirmed after the announcement of the change in location of the headquarters.

8. The group has been improving its resolvability. In 2017, the Resolution College decided on a requirement for the group of 7.1 percent of own funds and total liabilities, equaling 28.9 percent of total risk weighted assets.[8] The group met that requirement at the start of 2018, and has issued senior non-preferred debt during the course of the year.

C. Implications of Nordea's Redomicile

9. Nordea went through significant changes in legal structure before the relocation of its headquarters to Finland.

- In 2017, Nordea changed its legal structure to operate most of its non-Swedish activities through branches. In January 2017, Nordea Bank Denmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA were changed from Danish, Finnish and Norwegian subsidiary banks, respectively, to branches of the Swedish parent company Nordea Bank AB. This "branchification" aimed to align the legal structure of the bank with its centralized operations (e.g. for funding its balance sheet).

- Nordea's operations in Estonia, Latvia and Lithuania were merged in October 2017 with those of DNB Bank to create Luminor Bank. The decision to merge Nordea's operations with those of

[5] Nordea's CET1 ratio was estimated to decline from 19.3 percent at year-end 2017 to 16.2 percent at year-end 2019 under the severe stress scenario. The scenarios for the Nordic countries were generally more severe than the euro area average.

[6] Measured using transitional Basel III Tier 1 capital in the numerator; see Bank for International Settlements (2017), Basel III Monitoring Report, March 2018, pp. 38 and 92.

[7] Measured using the Swedish FI's LCR definition. The LCR according to the definition in the EU's Capital Requirements Directive (CRD) was 174 percent through the same period.

[8] See the Swedish National Debt Office press release December 20, 2017 (https://www.riksgalden.se/en/press/press-releases/2017/requirements-set-and-plans-established-for-how-swedish-banks-are-to-be-managed-in-a-crisis/)

DNB bank in the Baltic countries was made independently of the decision about the location of the headquarters of the group. Nordea currently holds 56 percent of the shares and 50 percent of the voting rights of Luminor, but agreement has been reached to sell 60 percent of Luminor so that Nordea can focus on Nordic markets.

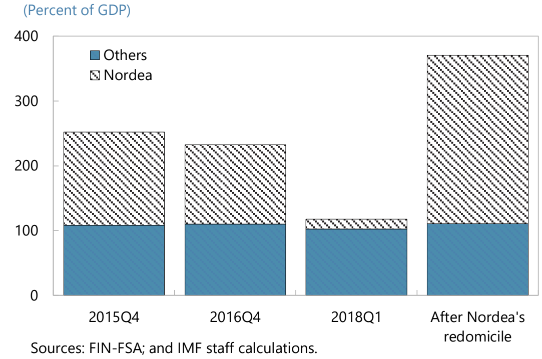
10. The parent company of the Group is now located in Finland. With the reverse merger and relocation in headquarters, Nordea Bank AB (domiciled in Sweden) became Nordea Bank Abp (domiciled in Finland) as of 1 October 2018.[9] Most of Nordea's non-Finnish operations are conducted through branches, the largest of which are in other Nordic countries, with smaller branches in China, Estonia, Germany, Poland, Singapore, the UK, and the US. Nordea also has mortgage bank subsidiaries in Denmark, Finland, Norway, and Sweden.

11. The move itself does not imply any major changes to Nordea's business model and governance. The bank has stated that operations in the Nordic home markets will remain largely unchanged following the move. Some group functions will likely be moved to Finland, but under Nordea's "one bank" approach (in which operations are run via business divisions that cover the group), governance is not materially affected by the country in which the parent company is located.

12. There are no significant macroeconomic implications. Only a limited number of employees are expected to transfer to Helsinki and the direct macroeconomic effects of the relocation are insignificant. Due to the banks' operational structure, profits will be booked at the level of national operations rather than the group level; there are therefore no expected increases in Finnish tax revenue from the redomicile.

13. However, by hosting the parent, Nordea's move substantially increases the size and interconnectedness of the Finnish banking sector. The assets of the entities domiciled in Finland have increased from €239 billion (before the branchification) to around €427 billion. Correspondingly, Nordea's move increases the size of the Finnish banking sector to around 3¾ times Finnish GDP, one of the largest in the euro area.[10] Although other credit institutions operating in the banking union are larger in absolute terms, Nordea is now the largest credit institution of the banking union countries when measured as a proportion of the GDP of its home country. And, as noted above, Nordea has operations of considerable market presence in the other Nordic economies.

Size of Finnish Financial Sector
(Percent of GDP)



Sources: FIN-FSA; and IMF staff calculations.
Note: Estimates of size after Nordea's redomicile based on 2017Q4 data.

[9] Before the relocation, approval was obtained from shareholders in March 2018 and the ECB granted a banking license for Nordea Holding Abp in June 2018. Sweden's financial authority, Finansinspektionen (FI), approved Nordea's reverse cross-border merger plans in August 2018, concluding that the move would not harm the interests of Swedish depositors, creditors or taxpayers, nor would weaken Swedish financial stability—see https://www.fi.se/en/published/press-releases/2018/fi-grants-nordea-authorisation--to-move-to-finland/.

[10] The figure shows the size of the banking sector when the whole Nordea group is included. When accounting for that part of Nordea group that is directly under SSM supervision, total assets are 3.1 times GDP.

14. The move also has several implications for the policy framework in which Nordea now operates.

Supervision and capital requirements: The Swedish authorities had been responsible for Nordea's supervision, following the merger of subsidiary banks in Denmark, Finland, and Norway with the Swedish parent company in early 2017. With the shift of headquarters to Finland, Nordea is now supervised through the SSM, with the Finnish Financial Supervisory Authority (FIN-FSA) actively involved.

- As a large financial institution of considerable economic importance to Finland (and with significant cross-border activities), Nordea is now supervised directly by the ECB.[11] Day-to-day supervision is conducted through a Joint Supervisory Team (JST), consisting mainly of staff from the ECB and the FIN-FSA.[12] Going forward, the supervisory review and evaluation process (SREP) (covering the pillar 2 capital requirement) will be conducted according to the ECB methodology.

- The host supervisors of Nordea's significant branches and subsidiaries outside Finland will continue to participate and share information in the Supervisory College.[13] The Memorandum of Understanding on supervision of significant branches still applies.[14] For those branches covered by the MoU, there is enhanced exchange of information. For countries in which some operations continue to be carried out through subsidiaries, the host countries continue to be full members of the Supervisory College and participate in joint supervisory decisions.

- National authorities in the EU have decision-making power over macroprudential requirements—hence macroprudential decisions, both for the Finnish financial system (e.g. the setting of the countercyclical capital buffer and the Systemic Risk Buffer) and Nordea specifically (e.g. the buffer for Global Systemically Important Institutions, G-SII) remain within the purview of the Finnish authorities, in this case the Board of the FIN-FSA.[15] Similarly, the macroprudential authorities in the other countries will take decisions related to the financial system in Sweden,

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[11] See https://www.bankingsupervision.europa.eu/banking/list/criteria/html/index.en.html. Less significant institutions are for most of the supervisory tasks directly supervised by national supervisory authorities with an oversight role from the ECB.

[12] In principle, the JST could include other euro area supervisory authorities, but in Nordea's case there is currently no significant presence in SSM countries.

[13] Under European law, supervisory colleges and resolution colleges serve as information-sharing and decision-making platforms for supervisory and resolution authorities of cross-border banks in their home and host countries. In the cases of branches of foreign banks, host authorities are only observers in the colleges and do not have a vote in the decision-making process.

[14] Following the branchification decision, the ECB, Danish, Finnish, Norwegian and Swedish authorities signed an MoU in December 2016 on the supervision of significant branches, setting out their approach to cooperation including a general principle of full reciprocity and enhanced information sharing between home and host supervisors of significant bank branches. See https://www.fi.ee/public/MoU_on_prudential_supervision_of_significant_branches.pdf.

[15] The ECB may, however, apply higher requirements for capital buffers than those by the national competent authorities, including countercyclical and systemic risk buffer rates, or more stringent harmonized measures aimed at addressing systemic or macroprudential risks at the level of credit institutions.

Denmark and Norway. The above-mentioned Memorandum of Understanding on supervision of significant branches also secures full reciprocity of macroprudential tools applied in different Nordic countries by the respective macroprudential authorities.[16]

Liquidity: Liquidity requirements continue to be based on harmonized EU regulations, and the same applies to the Net Stable Funding Ratio.[17] Central bank liquidity provision would be facilitated through the Eurosystem and the Bank of Finland (BoF): Nordea has access to Eurosystem monetary policy operations so long as it fulfils all eligibility criteria as regards its counterparty status and provides ECB-eligible collateral. Emergency liquidity assistance (ELA) is the responsibility of the BoF, while the Governing Council of the ECB may object to the provision of ELA, if it interferes with the objectives and tasks of the ESCB.

Resolution: Nordea is also under the direct remit of the Single Resolution Board (SRB), which is responsible for resolution of systemically-important banks.[18] Mirroring the structure used on the supervisory side, the day-to-day resolution planning work is conducted through Internal Resolution Teams (IRT), consisting of staff from the SRB and the Finnish Financial Stability Authority (FFSA) in its role as national resolution authority in the home country. The resolution authorities in the host countries outside of the banking union will continue to be involved in the resolution planning process through the Resolution College. The SRB will act as the chair of the Resolution College for the Nordea Group.

Nordea will contribute to the Single Resolution Fund (SRF), designed to provide financial backstop for future interventions of the SRB in case of distress of banks in the banking union.[19] Correspondingly, Nordea will stop paying resolution fees in Sweden.

The previous resolution authority (SNDO) now has fewer formal powers to influence the final decisions of the SRB in case of Nordea's distress, to the extent that Nordea now mainly operates as a branch in Sweden. However, the SNDO and resolution authorities in the other Nordic countries retain formal roles with respect to subsidiaries that remain in those countries.

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[16] Reciprocity means that a capital-related macroprudential tool (e.g. countercyclical buffer, minimum risk weights) imposed by authorities in country A, will be also applied by a supervisor in country B, but only with respect to exposures of banks in country B made in country A. For example, when a minimum risk weight on mortgages imposed by the Swedish FI is reciprocated by the FIN-FSA, it applies only to mortgages granted to Swedish borrowers by banks located and regulated in Finland.

[17] The SSM, in contrast to Sweden's Finansinspektionen, does not have general requirements on LCR in specific currencies, but can address this on a case by case situation and like Finansinspektionen requires banks' liquid assets in a significant currency to be in line with net outflows in the same currency.

[18] Decisions made by the SRB must be formally approved by the European Commission and implemented by the national authority according to national legislation.

[19] The SRF will be gradually built up from financial institutions' annual contributions, and it should reach 1 percent of the amount of covered deposits of all credit institutions within the banking union by the end of 2023. The target level is estimated to be about €55 billion. Between 2015-2018, €24.9 billion have been collected to the SRF.

Deposit insurance: Nordea's depositors are covered by the Finnish deposit guarantee scheme. In the event of insolvency (rather than resolution), the Finnish Deposit Guarantee Fund would be fully responsible for repaying Nordea's covered depositors, including those of foreign branches, up to €100,000, per EU regulations.[20] With the redomicile, the amount of covered deposits within the Finnish deposit guarantee scheme has grown from around €51 billion to around €127 billion. The Deposit Guarantee Fund is run by the Finnish resolution authority, the FFSA. The Fund is entirely funded by risk-based fees imposed annually on Finnish banks.[21]

D. Policy Responses to Nordea's Move

15. Nordea's redomicile to Finland has generated several changes in terms of supervision, capital and liquidity requirements, resolution, and deposit insurance.

Supervision: To strengthen the capacity to supervise Nordea, the FIN-FSA will adjust its organizational structure. Budget has been approved to add up to 30 people during 2018 (of which 20 have been recruited).[22] In addition, the FIN-FSA will work to facilitate supervisory cooperation with the ECB and other Nordic financial authorities.

Capital requirements: As was the case when Nordea's headquarters was in Sweden, Nordea has to satisfy both minimum capital requirements (Pillar 1) and supervisory review (Pillar 2).

- Under the EU's Capital Requirements Regulation, Nordea already faces the minimum CET1 and minimum additional Tier 1 and Tier 2 capital requirements of 4.5 percent and 3.5 percent of risk-weighted assets. Banks in Finland are also required to meet the capital conservation buffer of 2.5 percent. In addition, the Board of the FIN-FSA has published its decisions on the levels of the Systemic Risk, Global Systemically-Important Institution, and Other Systemically-Important Institution buffers (Box). Only the highest of the three buffer rates applies. Hence, Nordea's additional Pillar 1 requirements will be defined at the start of 2019 by the O-SII buffer of 2.0 percent and then, in July 2019, by the Systemic Risk Buffer of 3.0 percent.

- Decisions remain regarding Pillar 2 assessments. In the meantime, Nordea continues to comply with the 2018 Supervisory College Joint Decision on Pillar 2 requirements, until the ECB has issued its decisions on prudential requirements as a result of the 2019 Supervisory Review Evaluation Process.

Liquidity: The ECB can set additional bank-specific liquidity requirements through its SREP process; as noted above, the next decision will be made in 2019.

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[20] Depositors in other Nordic economies are protected up to similar amounts in euro terms.

[21] The target for the Finnish fund is 0.8 percent of covered deposits by 2024 (about €1 billion). Funds collected since 2015 and currently amount to €206 million. In addition, the Old Deposit Guarantee Fund (the VTS Fund) holds approximately €870 million worth of contributions from banks. These funds would be at the disposal of the FFSA.

[22] The FIN-FSA finances its activities 95 percent from levies and supervision fees; 5 percent is contributed from the Bank of Finland.

Resolution: Progress has been made on resolution planning as outlined in the Bank Recovery and Resolution Directive (BRRD), which lays the basis for the new resolution framework in the EU. The SNDO-led Resolution College of Nordea laid out a resolution strategy building on the "single point of entry" approach; no change to this strategy is foreseen. The SRB has made decisions on minimum own funds and eligible liabilities (MREL) requirements for most of the banks under its direct remit at the consolidated level. It is currently working on policies related to e.g. subordination and internal (i.e. intragroup) MREL, with the aim of setting binding targets in 2019.

Box 1. Capital Buffers in Finland

In June 2018, the Board of the FIN-FSA laid out its requirements for additional capital requirements for several Finnish financial institutions.

Per the EU Capital Requirements Directive, now included in the Finnish Act on Credit Institutions, the new Systemic Risk Buffer aims to prevent long-term risks not covered by other measures.[1] The CRD does not specify a maximum size for the buffer, but depending on its level and the impact on other Member States, authorization from the European Commission may be required. Under Finnish law it may be up to 3 percent of the total risk exposure if the systemic risk is higher than in other EU countries and higher than 3 percent and up to 5 percent if that risk is clearly higher than in other EU countries, or clearly higher than the long-term Finnish average.[2]

The buffer has been set by the Board of the FIN-FSA at 3 percent for Nordea, the highest among Finnish financial institutions,[3]on the grounds that structural systemic risks are higher for Finland than the EU average. It was not set higher, to ensure a fair operating environment in the banking union (3 percent is the highest level for the Systemic Risk Buffer in the rest of the banking union).[4]

The Board of the FIN-FSA has set Nordea a G-SII/B buffer of 1 percent, to take effect in January 2020. The aim of this buffer is to mitigate risks to the global financial system. In its decision, the Board of the FIN-FSA noted significant cross-border activity, systemic importance in a number of countries, and dependence on market funding.

The Board of the FIN-FSA also set Nordea's O-SII buffer (for other systemic institutions) to 2 percent, to take effect in January 2019. The aim of this instrument is to mitigate the risks of systemically-important credit institutions for the financial sector and to strengthen the loss absorption capacity of those institutions.

[1] The level of the buffer will be reviewed and set annually, in June, by the Board of the FIN-FSA, in conjunction with the Bank of Finland and the Ministry of Finance; consulting the Ministry of Social Affairs and Health, which will also inform the EC of its decision (from which it would require permission for requirements greater than 3 percent.)

[2] The new buffers are to be met by common equity Tier 1 capital. The decision of the Board on the systemic risk buffer will enter into effect on 1 July 2019.

[3] The calibration of SRB buffer rates for Finnish credit institutions has both bank-specific and sector-specific elements. The rates are 3.0 percent for Nordea, 2.0 percent for OP Group, 1.5 percent for Municipality Finance, and 1.0 percent for all other Finnish credit institutions. The one percent buffer rate for all institutions can be regarded as a general sector-wide component.

[4] "Decision of the Board of the Financial Supervisory Authority on setting an additional capital requirement on the basis of the structural characteristics of the financial system (systemic risk buffer)", Finanssivalvonta Finansinpektionen, 29 June 2018.

E. Assessment

16. Staff's assessment is that the responsible authorities have responded to the challenges of Nordea's redomicile within the bounds of their remits. Nordea is a large bank that now resides in a relatively small economy—this naturally raises the question of supervisory resources and backstops to protect depositors and Finnish taxpayers. At the same time, around three quarters of the operations of Nordea will remain outside of the banking union, which means the move is also a test for international cooperation over financial oversight. To these questions, we can note the following:

- The relocation of Nordea's headquarters to Finland does not intrinsically change the riskiness of Nordea—its business model and governance remains largely unchanged.

- Supervisory resources have increased. The Single Supervisory Mechanism has been functioning for some time by now, and the ECB has already had experience supervising Nordea in Finland from when Nordea's Finnish operations were configured as a subsidiary (and later as a branch).[23] Extra resources have been provided to the FIN-FSA. Continued cooperation across Nordic competent authorities will be facilitated through the supervisory and resolution college, and the previous MoU on supervision of significant branches still applies.

- Capital requirements will remain almost unchanged in nominal terms. Because the form and composition of the capital requirements used by the SSM differ from those used by the Swedish FI, Nordea's capital requirements expressed in terms of risk-weighted assets will fall a little.[24] However, the assessment of the Swedish and Finnish authorities and the ECB is that Nordea's capital requirement, taking into account the recent decisions by the Board of the FIN-FSA over capital buffers, remains qualitatively unchanged.[25] Similarly, overall liquidity risk remains largely unchanged. That said, it will be important for Nordea to maintain liquidity reserves in other currencies sufficient to match potential emergency needs.

- Nordea's size raises the question of whether, in the case of an extreme event, the Finnish authorities would have to use domestic resources to safeguard Nordea's depositors across its operations in multiple countries.[26] This highlights the importance of the resolution framework for systemically-important banks, such as Nordea. The intention of the BRRD is to mitigate risks to the taxpayer in the event of severe stress, by making shareholders and creditors of the bank under resolution primarily responsible for bearing the costs of resolution—under so-called "bail

[23] At that stage it fell under the ECB's remit, as it was regarded as a significant institution due to its systemic importance in Finland.

[24] The denominator in the capital ratio—the risk exposure amount—will rise because of an effective increase in risk weights as requirements are "transferred" from Pillar 2 to Pillar 1.

[25] See https://www.fi.se/contentassets/59deb7f7dee64e14be588555e3b04685/nordea_fusionsbeslut_2018-08-22_eng.pdf.

[26] Nordea will contribute to the Finnish deposit guarantee fund with annual deposit guarantee fees. (The target for the Finnish fund is 0.8 percent of covered deposits by 2024.)

in", the banks' creditors would be written down to recapitalize the bank.[27] Nordea itself has plans to further increase the amount of senior non-preferred debt in issuance to increase its loss-absorbing capacity and meet expected MREL requirements. Then there is the question of the resources of Single Resolution Fund to support a resolution. The SRF will not be at target capacity until the end of 2023, but more than half of the resources that would be available to support Nordea's resolution are already available in 2018.[28] The confirmation of the ESM in June 2018 as backstop for the Single Resolution Fund is a significant step toward ensuring market confidence that the SRB would have sufficient funds for any resolution, but important details about access to the backstop and potential introduction before 2023 still need to be finalized.

- The "third pillar" of the banking union, common deposit insurance across countries, has not yet been implemented.[29] Establishing a common European deposit insurance scheme would increase the confidence of retail depositors, and is important for cases where liquidation would be required.[30]

[27] Bail-in follows a specific sequence: first shareholders, then holders of other capital instruments and subordinated debt, followed by other unsecured creditors, deposits over EUR 100,000 and, lastly, the deposit guarantee scheme.

[28] Approximately €17 billion would be available from the SRF in 2018 to support a possible resolution case in Finland, with the amount growing steeply with each year until 2024. The maximum contribution of the SRF would be 5 percent of Nordea's balance sheet under SSM supervision of about €450 billion, hence €22 billion, or about €5 billion more than currently available.

[29] The European Commission has proposed a framework for EDIS, to be fully implemented by 2024, but so far this has not been accepted by European governments.

[30] See also the recommendations of the IMF's 2018 Euro Area Financial System Stability Assessment.