



FINANSTILSYNET

THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

Annual report 2023



Risk Outlook 2023 and reports from the supervised sectors

Analyses of trends in the financial market were covered in the Risk Outlook report, which was published in June and December. Separate reports on activities in the supervised sectors in 2023 were published in February 2024.

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Report by the Chair and the Director General



Report by the Chair and the Director General

Finanstilsynet's mission is to promote financial stability and well-functioning markets. In 2023, Finanstilsynet largely discharged its tasks in line with the Ministry of Finance's letter of allocation and its own plans.

The sharp rise in interest rates had an impact on developments in several of Finanstilsynet's areas of responsibility during the year. After many years of strong growth, commercial property prices fell through 2023, while house prices levelled off. The construction industry was marked by lower construction activity, and several real estate projects faced refinancing problems. There was a high level of activity in other industries.

Norwegian households have the highest debt to disposable income ratio in the OECD area. Credit growth has slowed as a consequence of higher interest rates and lagged behind the growth in households' disposable income last year. Finanstilsynet's residential mortgage lending survey in autumn 2023 also showed a marked decline in the debt-to-income ratio among borrowers who took out new loans. However, the level remains high and constitutes a key vulnerability in the Norwegian economy.

Norwegian banks were highly profitable in 2023 and meet regulatory solvency and liquidity requirements. They are thus well positioned to handle downturns in the Norwegian economy or turbulence in international capital markets, as seen in the wake of the collapse of several regional banks in the US and in Credit Suisse in spring 2023. The high level of profitability enables Norwegian banks to increase their capital adequacy ratios beyond the regulatory minimum requirements.

The issue of whether there is sufficient competition in the banking market was raised throughout 2023. While the banks reported record-high profits and wider interest spreads, a number of bank customers were in a challenging financial situation as a result of higher inflation and the sharp rise in interest rates. In Finanstilsynet's opinion, there is effective competition in the Norwegian banking market. At the same time, some aspects of the markets restrict customer mobility and thus competition. For example, Finanstilsynet finds that banks' opportunities to bundle services in so-called product packages should be reviewed.

Norwegian insurers and pension funds meet prevailing solvency capital requirements. Overall, life insurers have a higher exposure to real estate than corresponding undertakings in most other European countries. The fall in commercial property prices has had a negative impact on life insurers, while higher returns as a result of increasing interest rates have had the opposite effect.

Non-life insurers experienced weaker profits last year as a result of more extreme weather and a more challenging reinsurance market coupled with rising costs and a higher claims frequency for vehicles.

In recent years, Finanstilsynet has stepped up its efforts to address consumer issues. In 2023, Finanstilsynet reviewed banks' follow-up of residential mortgage customers with payment difficulties. In addition, life insurers' management of paid-up policies and errors in finance companies and debt collection agencies' collection processes were followed up. Priority has been given to reviewing new pricing models for mutual funds, where consumer protection is a key consideration.

In 2023, Finanstilsynet considered several cases concerning possible breaches of the market conduct rules. Cases of insider dealing and market manipulation are often time-consuming and complex. The investigations require that large volumes of data are obtained. In a number of cases, information from foreign market participants must also be acquired. For the first time, Finanstilsynet used its authority in 2023 to impose administrative fines in a number of cases concerning market manipulation and uncovered short sales. Four cases of suspected insider dealing and/or unlawful disclosure of inside information were reported to the police.

In 2023, Finanstilsynet conducted a thematic inspection of private placements and equal treatment of shareholders. The inspection encompassed Oslo Børs and the investment firms involved in a selection of private placements in 2022. In addition, Finanstilsynet looked into eight issuers' handling of inside information. Finanstilsynet will monitor that market participants fulfil their duties and consider measures to maintain the integrity of the market.

Finanstilsynet cooperated with other government agencies on ICT security in the financial system. As a result of changes to the cyberthreat landscape, partly due to Russia's attack on Ukraine and an increase in cybercrime, there is increasing focus on the risk of systemic cyber incidents and the importance of digital resilience and recoverability in the financial sector. During 2023, Finanstilsynet received and considered a far higher number of notifications of serious or critical ICT incidents from banks and other finance companies compared with the previous year. However, the financial institutions enjoyed good operational stability.

Financial markets and financial institutions are affected by climate change and the transition to a low-carbon society and play an important role in providing capital

and managing climate risk. A comprehensive regulatory framework that will provide a basis for more informed decisions and promote greener activity is about to be introduced. In 2023, Finanstilsynet focused on following up sustainability and climate risk by supervising institutions and reviewing sustainability reporting, and on preparing for new regulations. This work will be given priority also in the future.

The institutions' reporting provides large volumes of data. Finanstilsynet is committed to digitalising and improving its own work processes and supervisory methodologies to ensure optimal use of such data in its supervisory activities, which will help it perform existing and future tasks in a good way.

In 2023, Finanstilsynet adopted a new strategy for the four-year period 2023–2026. The main goals for its operations remain unchanged. Within these main goals, Finanstilsynet conducts risk-based supervision. This means that a major share of Finanstilsynet's resources is spent on large institutions. Experience from supervisory activities nevertheless suggests that it is also necessary to follow up smaller entities where serious failures in management and control functions have been identified or indicated.

Oslo, 29 February 2024

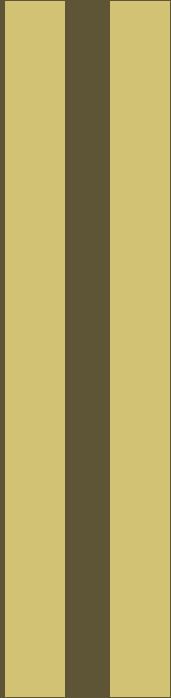


Per Mathis Kongsrud.

Finn Arnesen
Board Chair

Per Mathis Kongsrud
Director General

Introduction and main figures



Introduction and main figures

Finanstilsynet's role and responsibilities

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

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

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

Basis in law

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

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

Main goal

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

Strategy

Every four years, Finanstilsynet reviews the strategy underlying its activities. The strategy is an important basis for ongoing prioritisation and management of the authority's activities. Along with the letter of allocation from the Ministry of Finance, the strategy forms the basis for the annual plans for these activities. On 31 January 2023, Finanstilsynet's Board of Directors adopted the strategy for the period 2023–2026. Finanstilsynet's main goal and operational goals are unchanged. The strategy emphasises the current uncertainty in society, both geopolitically and in financial markets, which Finanstilsynet needs to pay heed to. In addition, developments and tasks related to digitalisation, climate risk and sustainability are important items on Finanstilsynet's future agenda.

Operational goals

In the strategy for 2023–2026, six operational goals are formulated to help operationalise the main goal and evaluate operations. These goals are used in the reporting of goal achievement, see Chapter III.

These are the operational goals:

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

On 22 December 2022, the Board of Directors adopted a competence strategy for the period 2023–2026, and on 27 March 2023, the Board adopted a new digitalisation strategy for the same period.

Management

Finanstilsynet's Board of Directors has by law the overarching responsibility for Finanstilsynet's activities. Members and alternates are appointed by the Ministry of Finance for a term of four years. The alternates attend all board meetings. Two members elected by and from among the employees supplement the Board when administrative matters are on the agenda. In addition, board meetings are attended by an observer from Norges Bank who is also appointed by the Ministry of Finance.

As from 1 March 2018, **Finn Arnesen** has been Chair of Finanstilsynet's Board of Directors. He began his second term as Board Chair in March 2022, when the Ministry of Finance appointed a new Board.

The day-to-day management is in the hands of the Director General, who is appointed for a period of six years at a time. Finanstilsynet's management team consists of the Director General, the Deputy Director Generals, the General Counsel and the Communications Director.

Morten Baltzersen served as Director General up until 15 August. **Per Mathis Kongsrud** was appointed new Director General by the King in Council in April 2023 and took up the position on 15 August. He previously held the position of Deputy Director General, Digitalisation and Analysis. **Knut Haugan** was appointed acting Deputy Director General, Digitalisation and Analysis and took up the position on 15 August. **Ann Viljugrein** was Deputy Director General, Banking and Insurance Supervision up until 15 September. **Anders Sanderlien Hole** was appointed acting Deputy Director General, Banking and Insurance Supervision and assumed the position on 15 September. In autumn 2023, Finanstilsynet's management team was working on plans to change its organisational structure. The two new Deputy Director Generals were thus appointed on a temporary basis.

Board of Directors

Photo: Jarle Nytingnes



Finn Arnesen

Chair

Lives in Åsgårdstrand, Professor – Scandinavian Institute of Maritime Law, Faculty of Law, University of Oslo



Giuditta Cordero-Moss

Deputy Chair

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



Mette Bjørndal

Board member

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



Helge Eide

Board member

Lives in Skedsmokorset – Director, Society, Welfare and Democracy, KS (Norwegian Association of Local and Regional Authorities)



Kristin Gulbrandsen

First alternate

Lives in Oslo, MSc in Economics and Business Administration, retiree



Jens-Henrik Lien

Second alternate

Lives in Hamar – Attorney-at-law and partner in the law firm Mageli



Sindre Weme

Observer

Director, Banking Analysis – Norges Bank



Gunnar Almklov

Senior Adviser

Representative for the employees from 1 March



Alfred Ødegaard

Senior Adviser

Representative for the employees from 1 March

Ylva Søvik

Alternate observer

Assistant Director, Banking Analysis – Norges Bank

From 1 March, their alternates were Senior Adviser **Astrid Rindal**, Senior Adviser **Anne Cathrine Leren** and Senior Adviser **Linn Therese Jørgensen**.

Prior to 1 March, **Alfred Ødegaard** and **Astrid Rindal** were representatives for the employees, while **Linn Therese Jørgensen** was their alternate.

Marianne Hansen was a board member until 24 March 2023.

Management team

Photo: Jarle Nyttignes



Per Mathis Kongsrud
Director General



Anders Sanderlien Hole
*Deputy Director General
(acting), Banking and
Insurance Supervision*



Anne Merethe Bellamy
*Deputy Director General,
Capital Market Supervision*



Knut Haugan
*Deputy Director General
(acting), Digitalisation and
Analysis*



Nina Moss
*Deputy Director General,
Administration*



Cecilie Ask
General Counsel



Lisbeth Strand
Communications Director

Licensable entities under supervision

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

Other supervisory tasks

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

Personnel policy and organisation

Finanstilsynet's activities require both cross-disciplinary competence and spearhead competence in the various areas of supervision. Most of its employees have their training in economics, business economics, law, auditing or ICT. Finanstilsynet is working continuously to further develop its organisation in keeping with national and international recommendations and its own needs.

Finanstilsynet gives priority to measures designed to recruit, retain and further develop capable employees and managers. In addition, Finanstilsynet focuses on internal mobility to increase the overall level of competence. In 2023, Finanstilsynet initiated several measures from the new competence strategy. The requirements to be met by the organisation are comprehensive and on the rise, partly due to new regulations and rapid technological developments. The competence strategy forms the basis for securing the necessary expertise to handle Finanstilsynet's current and future tasks. See further account on page 38 in Chapter IV.

The Director General's salary at the end of 2023 was NOK 1,890,000. The Board Chair received a fixed annual remuneration of NOK 319,900, the Deputy Chair NOK 216,100 and the board members NOK 187,200. Remuneration to the first alternate was NOK 157,500 and to the second alternate NOK 132,000.

Facts and figures

- Finanstilsynet's organisation was strengthened in 2023 in keeping with the decision of the Storting in the National Budget. The reason for this is that Finanstilsynet has been given responsibility for supervising new sectors in recent years as well as an increasing number of tasks within regulatory development, licensing and guidance.
- Finanstilsynet had 329 permanent positions at the end of 2023, compared with 314 a year earlier. Not all permanent positions had been filled at the end of the year.
- The number of employees at Finanstilsynet at the end of 2023 was 349, compared with 323 at the end of 2022. This includes short-term appointments and persons paid by the hour.
- The number of contracted FTEs totalled 311 at the end of 2023, an increase from 298.9 a year earlier. Contracted FTEs are calculated based on the total number of employment contracts. Days of absence have not been deducted.
- The number of FTEs worked was 300 in 2023, compared with 288.1 in 2022. Days of absence (such as leave of absence and sick leave) have been deducted, while overtime is included.
- Staff turnover was 8.3 per cent in 2023, down from 12.2 per cent in 2022.
- All employees working part-time at Finanstilsynet in 2023 did so at their own volition. Employees that are not permanently employed are either temporarily employed or paid by the hour (students and pensioners).

Table 1: Number of FTEs as at 31 December 2023

	Contracted FTEs	FTEs worked
Administration	32	29
Banking and Insurance Supervision	98	94
Digitalisation and Analysis	71	70
Capital Market Supervision	98	95
Communications	8	8
Director General and his staff	4	4
Total	311	300

Source: Finanstilsynet/SAP as at 31 December 2023

There has been an increase in the number of employees recruited to Finanstilsynet for several years, and there were 59 announcements of vacant positions in 2023, some of which included more than one position. A number of the positions were announced more than once, and some of the processes were completed early

in 2024. Finanstilsynet is marketing itself primarily to the target groups it is recruiting from, which are mainly lawyers and business and ICT graduates. It proved challenging to recruit employees with various types of specialist expertise in 2023, which was also the case in 2022.

Table 2: Turnover

	2019	2020	2021	2022	2023
Turnover (per cent)	8.4	7.3	10.7	12.2	8.3

Source: Finanstilsynet

Main figures from the annual accounts

Table 3: Main figures from the annual accounts	2022	2023
No. of FTEs worked	288	300
Overall allocation (items 01-99)	NOK 498,735,000	NOK 551,931,000
Utilisation ratio, items 01-29	96.1%	98.6%
Disbursement to operations	NOK 465,526,515	NOK 530,515,000
Salaries as a share of operating expenses	69.6%	70.5%
Salary expenses per FTE	NOK 1,124,861	NOK 1,276,227

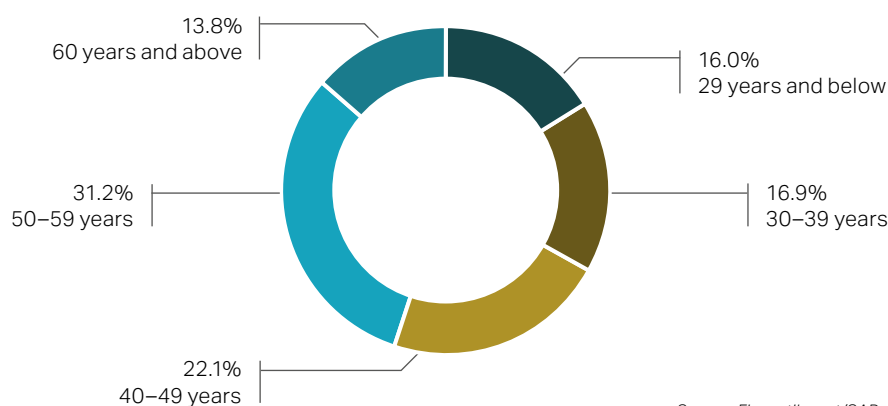
Source: Finanstilsynet

Salary expenses per FTE is the sum total of salary, employer's national insurance contributions, pension expenses and other payments, such as social benefits and personal insurance. Before the sum is divided by

the number of FTEs, any refunds relating to salaries are deducted. See also chapter VI Annual accounts, note 2: Disbursements to salaries, on page 52.

Age distribution

Chart 1: Age distribution at Finanstilsynet in 2023



Source: Finanstilsynet/SAP as at 31 December 2023

Table 4: Age distribution by department (per cent)

Department	29 years and below	30-39 years	40-49 years	50-59 years	60 years and above
Administration	12.1	15.2	24.2	30.3	18.2
Banking and Insurance Supervision	16.2	21.6	19.8	31.5	10.8
Digitalisation and Analysis	13.8	18.8	18.8	31.3	17.5
Capital Market Supervision	20.4	13.3	26.5	29.2	10.6
Communications			25.0	50.0	25.0
Director General and his staff				50.0	50.0
Overall age distribution at Finanstilsynet	16.0%	16.9%	22.1%	31.2%	13.8%

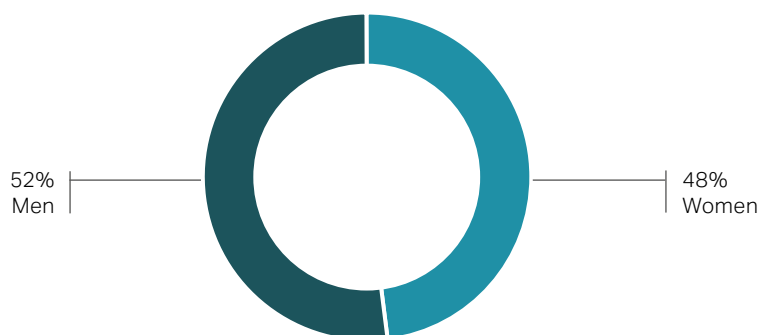
Source: Finanstilsynet/SAP as at 31 December 2023

The chart shows the age distribution of Finanstilsynet's employees. The figures include permanent staff, temporary

staff, persons on fixed-term employment contracts and persons paid by the hour – regardless of FTE percentage.

Gender distribution

Chart 2: Gender distribution at Finanstilsynet in 2023



Source: Finanstilsynet/SAP as at 31 December 2023

Table 5: Gender distribution by department (per cent) in 2023

Department	Women	Men
Administration	81.8	18.2
Banking and Insurance Supervision	46.2	53.8
Digitalisation and Analysis	34.7	65.3
Capital Market Supervision	48.5	51.5
Communications	37.5	62.5
Director General and his staff	50.0	50.0
Overall age distribution at Finanstilsynet	48%	52%

Source: Finanstilsynet/SAP as at 31 December 2023 – excluding persons paid by the hour (students and pensioners)

Table 6: Gender distribution at Finanstilsynet – overall and by department in 2023

	All employees (incl. temporary staff, excl. persons paid by the hour)		Temporary staff		Persons paid by the hour (students and pensioners)	
	Women	Men	Women	Men	Women	Men
Administration	27	6	2	0	0	0
Banking and Insurance Supervision	48	56	1	1	6	1
Digitalisation and Analysis	26	49	0	0	2	3
Capital Market Supervision	49	52	0	0	9	3
Communications	3	5	0	0	0	0
Director General and his staff	2	2	0	0	0	0
Total for Finanstilsynet	155	170	3	1	17	7

Source: Finanstilsynet/SAP as at 31 December 2023

Equality, inclusion and diversity

Overall, there is an equal gender distribution at Finanstilsynet. There is a majority of women in senior management positions (Deputy Director Generals and heads of section). Among case officers in the supervisory departments, there are more men, while there is a majority of women among administrative staff. The gender distribution at Finanstilsynet was 52 per cent men and 48 per cent women at year-end 2023, and there were four women and three men in the management team, including the Director General. Among the heads of section, there were 43.5 per cent men and 56.5 per cent women.

The average parental leave in 2023 was 18.3 weeks for women and 12.6 weeks for men.

The average salary for women was 96.4 per cent of men's average salary. Finanstilsynet reviewed the differences in salary in 2023, and statistics of salary differences were discussed with the employee representatives in connection with the local salary settlement in autumn 2023. When new candidates are employed, their salary is assessed against comparable employees with the same job code across the organisation. The salary differences within the groups of Deputy Director Generals (job code 1062) and heads of section (job code 1211) are partly due to the different work content of the management positions within each group.

Table 7: Ratio of salary of women to men in 2023

Job code		Ratio of salary of women to men	Number of women	Number of men
1062	Deputy Director General (excluding the Director General)	97.1%	4	2
1211	Head of Section	97.8%	13	10
1364	Senior Adviser	94.0%	111	125
1434	Adviser	101.2%	15	12
1408	Higher Executive Officer	99.8%	11	18

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

Source: Finanstilsynet/SAP as at 31 December 2023

Finanstilsynet abides by the qualification principle, and discrimination shall not occur. Finanstilsynet is committed to promoting diversity and to employing candidates with disabilities or gaps in their CV. All qualified candidates are encouraged to apply for vacant positions. There were no qualified candidates with disabilities or gaps in their CV in 2023. 8 per cent of those hired during the year had an immigrant background.

For Finanstilsynet, it is important to ensure that employees who are or who become disabled can continue to work. This is facilitated through both physical and digital measures. Employees may also opt to work from home for up to two days per week when their

tasks can thus be performed in a satisfactory manner. Finanstilsynet's intranet pages include whistleblowing procedures explaining how the employees can notify bullying, harassment or other censurable conditions. Annual performance reviews are carried out, and everyone who leaves Finanstilsynet is invited to an exit interview. In 2023, the safety representatives conducted a survey in the form of a questionnaire, thus seeking to prevent incidents with an adverse impact on the working environment, uncover any risks and ensure that required improvements are made.

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

Apprentices

Finanstilsynet has not recruited any apprentices but makes extensive use of internships. There was an increase in the number of students in 2023, with approximately 20 internships in ten sections. The reason why Finanstilsynet does not have apprentices is that it has few tasks requiring vocational skills and is therefore not well suited for apprentices. Internships, on the other hand, provides highly relevant work experience, for example for business and law students. Several of the students have been employed in full-time positions in Finanstilsynet after completing their studies.

Sickness absence

The overall sickness absence rate was 4.2 per cent in 2023, which was a slight decrease from 4.3 per cent in 2022. Sickness absence in 2023 was higher for women than for men, while there was a slight decrease for women and a small increase for men. Compared

with 2022, short-term sick leave in 2023 was down 0.2 per cent to 1.9 per cent, while long-term sick leave was up 0.1 per cent to 2.3 per cent. For several years, Finanstilsynet's sickness absence target has been maximum 3.5 per cent. With its espousal of the government-sponsored 'IA Agreement' regarding a more inclusive working life, Finanstilsynet follows up employees on long-term and short-term sick leave. Sickness absence is regularly discussed in the Working Environment and Equality Committee.

Finanstilsynet is working actively to maintain a low sickness absence rate, which includes offering various physical activities and campaigns.

Table 8: Sickness absence by gender

	Total sickness absence in 2022	Total sickness absence in 2023
Women	5.8%	5.0%
Men	2.9%	3.4%
All employees	4.3%	4.2%

Source: Finanstilsynet/SAP as at 31 December 2023

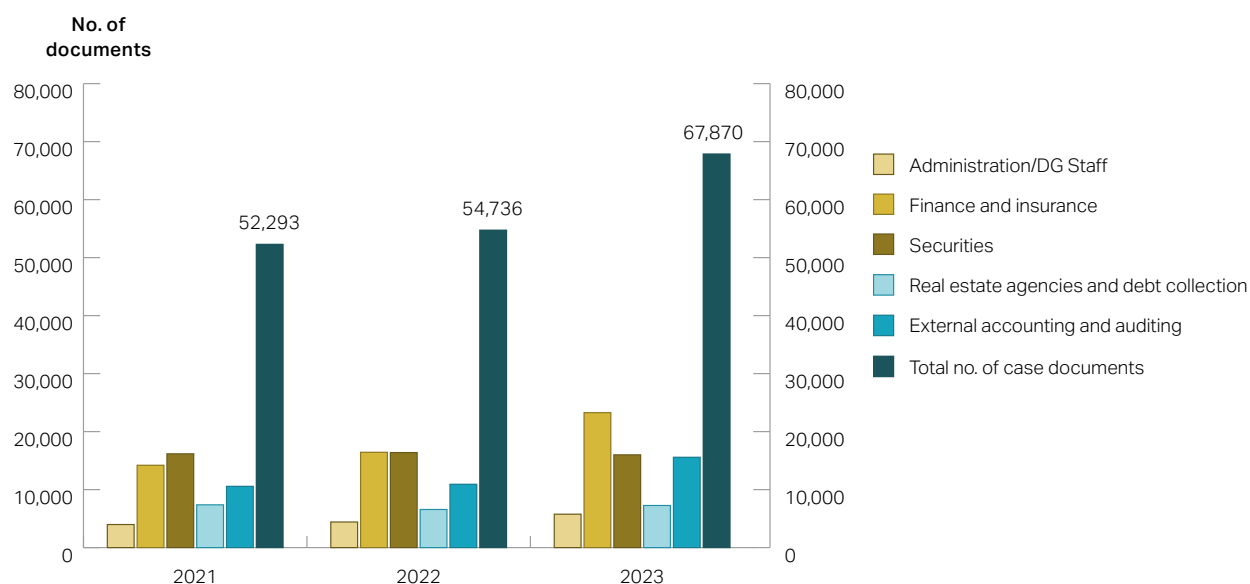
Document processing

The number of incoming and outgoing documents registered rose by 24 per cent from 2022 to 2023, to 67,870. Chart 3 shows the number of documents per supervised sector. There was an increase in the finance and insurance sectors and within accounting and auditing, while the numbers were more stable in the other sectors. The increase was partly due to the entry into force of the new Accountants Act and the introduction of transitional provisions in the new Auditors Act. In addition, companies engaged in loan intermediation must now apply to Finanstilsynet for authorisation and registration.

Document access at Finanstilsynet

Finanstilsynet received a total of 4,589 requests for document access in 2023, which was a slight increase from the preceding year¹. 1,530 documents were not released since their entire content was barred from publication. Most access requests are received via the public electronic mail journal elnnsyn.no, used by all central government agencies.

Chart 3: Document processing



Source: Finanstilsynet

¹ By mistake, 8,671 requests for access were reported in 2022, while the correct number was 4,442.

Communication and collaboration

Finanstilsynet's communication effort is directed primarily at entities and sectors under supervision but also at various public authorities, the media and the general public.

Finanstilsynet has an extensive network of contacts and good cooperation with other public authorities in Norway and the EEA countries. Regular meetings are held with various trade and professional organisations and the largest entities under supervision. Finanstilsynet conducts user surveys when deemed necessary and annual reputation surveys among members of the general public. Finanstilsynet also responds to many requests from consumers.

Finanstilsynet's communication strategy provides direction for how Finanstilsynet should use communication as one of several tools to achieve its objectives. Finanstilsynet shall be open about its assessments, supervisory practices, data and decisions. Two prioritised development tasks outlined in the strategy are the website finansstilsynet.no and consumer information.

[Finanstilsynet.no](https://finansstilsynet.no) is the main channel for information sharing. During 2023, Finanstilsynet published inspection reports, decisions, risk analyses and information on pending legislation on the website. In 2023, the website was adapted to new universal design requirements, and a statutory accessibility statement was published. The website was also subject to a major technical upgrade. A new user-friendly solution was developed for Finanstilsynet's Registry, showing who is authorised to offer financial services and products, along with a module for sharing data from the registry.

Finanstilsynet launched a new intranet site in early 2023. The intranet is an important platform for information sharing and will contribute to effective internal communication and knowledge sharing within the organisation.

In 2023, Finanstilsynet entered into an agreement on a digital tool that translates texts from one of Norway's two official written languages into the other (New Norwegian). This will streamline the process of translating Finanstilsynet's texts to increase the proportion of New Norwegian texts on the website.

Information provision

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

Finanstilsynet arranged several seminars for institutions, markets and the general public during 2023. Some of these were webinars providing information and guidance to institutions on regulations and reporting. Employees from Finanstilsynet participated and held presentations at seminars organised by various industries and public sector agencies. In May and June, Finanstilsynet presented the report 'Risk and Vulnerability Analysis (RVA)' on the use of ICT in financial institutions and the half-yearly report 'Risk Outlook'. In autumn 2023, Finanstilsynet hosted a seminar on consumer loans during times of increasing financial vulnerability, a press conference on the 2023 residential mortgage lending survey and a seminar for listed companies. In December, Finanstilsynet presented the second half-yearly report 'Risk Outlook'. Finanstilsynet held four press conferences in 2023 that were broadcast on web TV.

Media coverage

Finanstilsynet receives several hundred requests from the media each year, and the media monitoring showed that Finanstilsynet was mentioned in more than 4,000 media entries in 2023. The half-yearly macroeconomic analyses in the Risk Outlook reports and the annual residential mortgage lending survey generally receive a lot of attention. During 2023, Finanstilsynet received many requests concerning consumer protection related to household debt, high costs of living, non-performing loans and the increase in debt collection. Finanstilsynet stopped illegal lending on Facebook and from actors who do not have a licence to engage in lending activity. This also received media coverage. The media were particularly interested in the regulations on insider dealing, market manipulation and politically exposed persons (PEPs). The bank collapses in the US in the spring of 2023 and the subsequent financial market turmoil also received broad coverage. The same applied to private placements and questions concerning equal treatment of shareholders on Oslo Børs.

Table 9: Overview of supervised entities as at 31 December 2023	2019	2020	2021	2022	2023
Banks	122	118	117	110	106
Finance companies	30	28	29	28	26
Mortgage companies	32	31	31	30	29
Norwegian banks' and other credit institutions' branches abroad	16	16	15	14	12
Norwegian branches of foreign banks and credit institutions	32	34	35	35	35
Savings bank foundations and financial foundations	34	34	39	39	45
Payment institutions	15	30	33	29	24
E-money institutions	6	6	6	5	7
Exchange and storage services for virtual currencies	6	10	9	9	10
Loan intermediaries	13	11	12	18	19
Account information service providers	0	0	1	1	1
Life insurers	11	12	11	11	10
Non-life insurers, incl. local fire insurance associations	55	52	51	51	48
Local marine insurance associations	5	5	5	5	4
Norwegian insurers' branches abroad	15	14	14	16	10
Foreign insurers' branches in Norway	29	30	32	32	33
Insurance intermediaries ¹	112	107	111	2,275	2,455
Private pension funds	50	49	48	48	43
Municipal pension funds	37	35	34	34	32
Defined-contribution pension providers	1	1	1	1	1
Pension funds	1	1	1	1	1
Holding companies	15	11	11	12	10
Investment firms	101	97	95	100	105
Norwegian branches of foreign investment firms	23	16	18	17	19
Fund management companies	29	29	29	29	28
Alternative investment fund managers (AIFMs)	40	47	50	56	59
Registered alternative investment fund managers (AIFMs)	126	154	180	190	175
Central securities depositories	1	1	1	1	1
Market operators, incl. stock exchanges	4	4	4	4	4
Financial benchmark administrators	1	1	6	6	6
State authorised auditors ²	8,128	8,365	1,752	2,342	3,353
Audit firms	458	461	458	458	506
External accountants	11,626	11,854	12,093	12,320	12,530
External accounting firms	2,708	2,728	2,779	2,699	2,597
Real estate agencies	504	527	537	525	518
Lawyers' practices that include estate agency	951	880	853	782	701
Debt collection agencies	93	90	81	76	71
Debt purchase businesses	4	5	5	6	5
Debt information undertakings	3	3	3	3	3

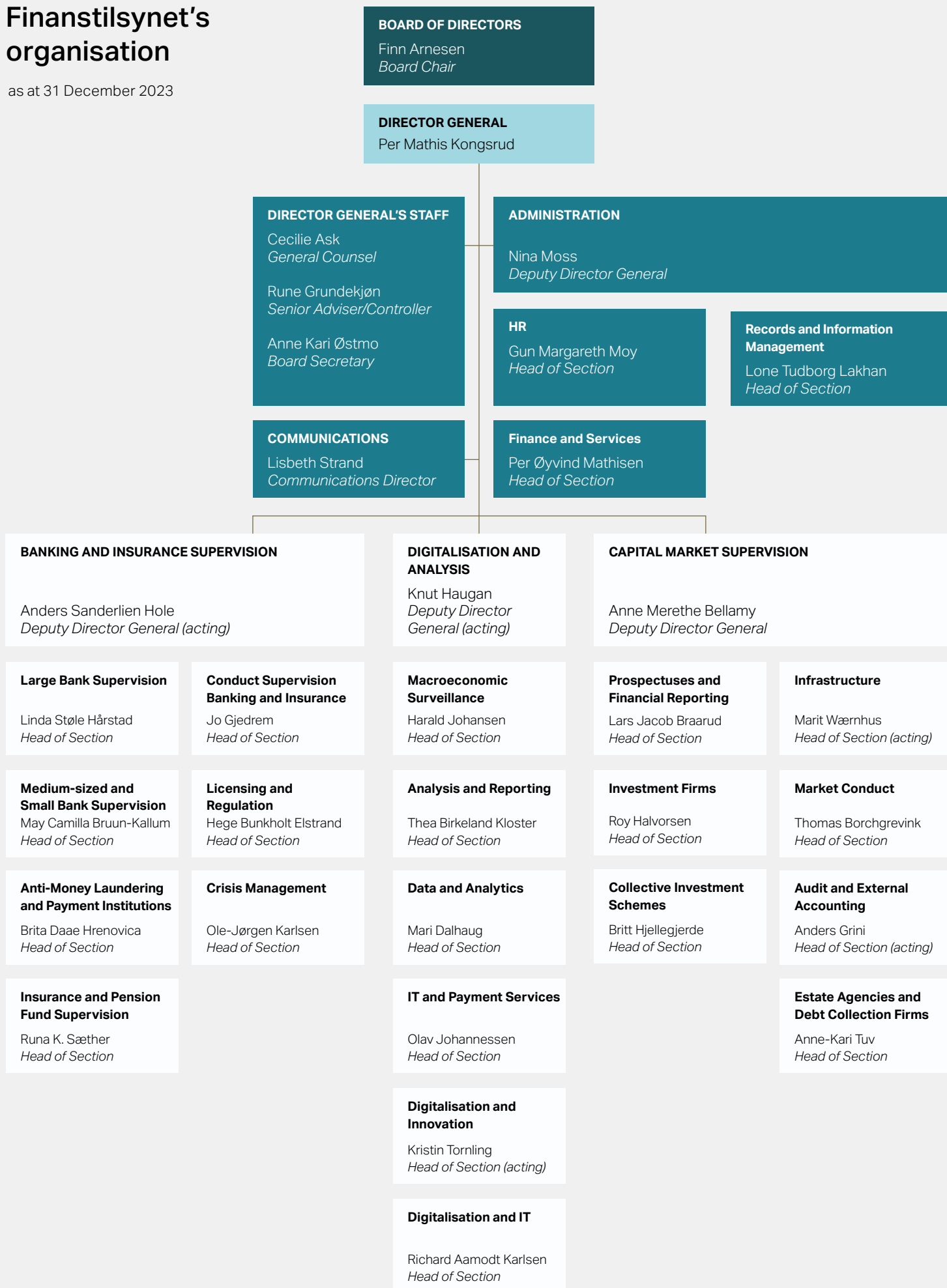
¹ In accordance with the new Insurance Intermediation Act which entered into force on 1 January 2022, all insurance agent firms and accessory insurance agent firms, i.e. firms that engage in insurance intermediation as a secondary activity, are now licensed and registered in Finanstilsynet's Registry.

² With effect from 2021, this category has been changed to 'state authorised auditors'. Pursuant to the new Act, auditor register numbers are allotted in connection with the authorisation as a state authorised auditor. During a transitional period, not all state authorised auditors are allowed to carry out statutory audits. This applied to 6,665 auditors as at 31 December 2021 and 6,368 auditors as at 31 December 2022, which was the reason for the decline. Auditors who are not entitled to carry out statutory audits are excluded from the 2021 and 2022 columns.

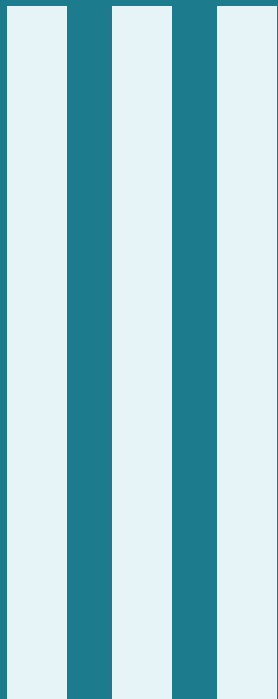
At year-end 2023, Finanstilsynet also oversaw the financial reporting of 290 listed companies.

Finanstilsynet's organisation

as at 31 December 2023



The year's activities and results



The year's activities and results

Finanstilsynet's main task is to supervise institutions and markets in the financial sector. In addition, Finanstilsynet spends resources on analyses and reports and on regulatory work for the Ministry of Finance. The Ministry has delegated competence to Finanstilsynet for the implementation of Commission Delegated Regulations (level 2 regulations), which are many in number. See also the reports summarising activities in the various supervised sectors in 2023. The reports are available at finansstilsynet.no.

Finanstilsynet collaborates with other authorities globally and within the EEA on the supervision of financial markets and financial institutions. Finanstilsynet had ongoing cooperation with the European Supervisory Authorities for the banking, insurance and securities sectors (EBA, EIOPA and ESMA) in 2023 and attended several meetings of the European Systemic Risk Board (ESRB) and various supervisory colleges.

An important aim of cross-border supervisory cooperation is to identify risk factors present in the institutions and developments in the international financial market at an early stage. The supervisory cooperation also enables the implementation of coordinated measures to mitigate risk and handle crises.

Reporting of goal achievement

Finanstilsynet's strategy for 2023–2026 and the letter of allocation from the Ministry of Finance set out six strategic operational goals, cf. chapter II. The operational goals are supplemented by prioritised measures and governance indicators that show Finanstilsynet's activities in various areas in 2023. Goal achievement is reported to the Ministry of Finance according to these operational goals.

Operational goal 1 Financially sound and well-capitalised financial institutions

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

In 2023, Finanstilsynet gave priority to overseeing that the institutions are financially robust and liquid and have sound governance and risk management procedures in order to be able to cope with negative events. Despite the rise in interest rates, overall economic activity in Norway held up through 2023, and unemployment was low. This is also reflected in the low loan losses recorded by the banks. Coupled with an increase in net interest income, the low losses have contributed to healthy profits. The higher interest rate level has also improved life insurers' solvency. With respect to non-life insurers, natural damage and a more challenging reinsurance market had a negative effect on their insurance result.

Finanstilsynet largely carried out supervisory activities in line with the plans drawn up at the beginning of the year.

Finanstilsynet took the following actions during the year:

- monitored risk in the Norwegian and international economy and assessed the potential consequences for Norwegian banks and other financial institutions
- completed stress tests of the Norwegian economy and Norwegian banks
- followed up institutions' financial position based on reported figures
- followed up credit risk exposures and loss allowances (IFRS 9)
- refined analytical tools for risk assessment

- published its assessments of the prospects for financial stability in the half-yearly 'Risk Outlook' report
- advised the Ministry of Finance on systemically important financial institutions
- mapped the use of risk weights to calculate capital requirements according to the standardised approach, including how the retail exposure category is used under the capital adequacy framework
- intensified its surveillance in connection with the turbulence in the US banking sector and the Credit Suisse crisis, and identified exposure to Norwegian banks and insurers
- assessed applications from banks for changes to internal models for the calculation of capital requirements (IRB models)
- assessed risk and capital needs in banks and set capital requirements pursuant to Pillar 2
- reviewed the reinsurance market for non-life insurance contracts based on indications of challenges in this market
- monitored the effect of various extreme weather conditions and how they affected insurers' solvency position

Sustainability and climate risk have been incorporated as a risk area in the various supervisory modules and were on the agenda at inspections at eleven banks in 2023.

Governance indicators	Performance targets 2023 (planned figures)	2023 results (completed)	2022 results
Inspections at banks, mortgage companies and finance companies			
a) on-site inspections (incl. IRB)	a) 14	a) 17	a) 19
b) off-site inspections	b) 6	b) 1	b) 13
Completed SREP reviews (assessments of risk and capital needs)	36	41	42* (plus 17 preliminary SREP reviews in December 2022)
Inspections at insurers and pension undertakings:			
a) on-site inspections	a) 10	a) 11 (3 at life insurers, 6 at non-life insurers and 2 at pension funds)	a) 12 (2 at life insurers, 8 at non-life insurers and 2 at pension funds)
b) off-site inspections	b) 4	b) 4 Reviewed disability provisions in municipal pension funds and non-life insurers' reinsurance contracts, set capital targets etc. in ORSA and mapped pension funds' adjustments to IORP II.	b) Reviewed 8 institutions' use of fintech and completed 1 model inspection
c) supervision of the undertakings' models for calculating solvency capital requirements	c) 1	c) Completed 1 model inspection.	

* Finanstilsynet was unable to finalise all planned SREP reviews in 2021. New production solutions and processes were more challenging to put into place and were also hampered by the pandemic. In addition, SREP reviews for subsidiaries of foreign institutions were delayed due to the fact that joint processes under the auspices of supervisory authorities in other countries took longer than planned. A number of SREP reviews that were close to completion in 2021 were completed in early 2022.

Operational goal 2 Robust infrastructure

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

Finanstilsynet is closely monitoring changes in the infrastructure for the Norwegian commodity derivative market. In June 2023, Nasdaq Oslo announced that it had entered into an agreement with the European Energy Exchange to transfer all open positions in Nordic energy derivatives from Nasdaq Clearing to European Commodity Clearing. As part of the agreement, Nasdaq Oslo will discontinue its business. The European Commission is investigating whether the agreement will lead to less competition in the energy market in Northern Europe, and the agreement has yet to be completed. Nasdaq has also decided to terminate its seafood clearing service, while Euronext has announced plans to introduce a new Fish Pool contract (EUR) with clearing through Euronext Clearing.

Finanstilsynet participates actively in the supervisory college for the Euronext Group, where an increasing number of joint supervisory projects are carried out.

There were lower energy prices and less market volatility in 2023 than in 2022, when Finanstilsynet devoted significant resources to monitoring the energy market crisis and its impact on energy derivatives.

Monitoring of potential threats to the institutions' ICT systems has remained a priority, and there has been ongoing cooperation with various government agencies to ensure the security of the financial infrastructure. Finanstilsynet considers vulnerabilities in their defences against cybercrime to be the principal threat to the institutions' ICT use. The risks associated with vendor management and access management and the risk of information leaks are also key threats. During 2023, Finanstilsynet followed up changes in the technological infrastructure and financial institutions' payment services.

In Finanstilsynet's view, the measures and activities carried out by the authority in 2023 have promoted a robust infrastructure.

Finanstilsynet took the following actions during the year:

- carried out the first inspection of Euronext Securities Oslo after it was licensed as a central securities depository pursuant to the Norwegian Central Securities Depository Act and the CSDR (Central Securities Depository Regulation). The inspection report will be ready in early 2024.
- gave Euronext Securities Oslo, under certain conditions, permission to outsource some core services in connection with the establishment of a joint department with its Danish sister company Euronext Securities Copenhagen
- followed up breaches of the provisions on oversight of account operators and the duty of disclosure upon registration of two foreign shares in the VPS register. Finanstilsynet issued an order for corrective measures and imposed an administrative fine of NOK 1 million on the Norwegian Central Securities Depository. Finanstilsynet also ordered the account operator to implement corrective measures after failing to comply with the conduct of business rules. Euronext Securities Oslo has appealed the decision, and the appeal is under consideration by the Ministry of Finance.
- carried out a joint thematic inspection of the Euronext Group. The inspection addressed Euronext's outsourcing of data storage to external cloud service providers.
- carried out a number of inspections of institutions' use of ICT systems and cyber security measures
- received and processed a number of post-incident reviews
- fulfilled its role as sectoral response environment (SRE) in cooperation with Nordic Financial CERT (NFCERT) through regular follow-up meetings and interaction when security incidents occur

- summarised the work on ICT security in the financial sector and how individual institutions and the industry comply with the regulations in the Annual Risk and Vulnerability Analysis (RVA), which was published in May 2023
- received and processed fraud data reports from payment service providers for the first half of 2023 and published fraud statistics
- monitored trends in threats, including cybercrime, and participated in the National Cyber Security Centre (NCSC) and in the Norwegian National Security Authority's interest group for ICT supervision
- continued the cooperation with Norges Bank on a framework for security testing of critical functions in the financial sector in Norway (TIBER-NO) and systemic ICT risk, and arranged a seminar on payment systems and ICT in the financial sector
- participated in the ongoing work of Norges Bank to assess the need for emergency preparedness solutions in the payment system
- participated in the ESRB's working group for cyber risk management
- prepared a draft consultation document for the implementation of the Digital Operational Resilience Act (DORA) and provided input to a consultation document from the Ministry of Finance
- prepared a recommendation to the Ministry of Finance for designating entities of significant or material importance to basic national functions
- participated in a joint Nordic/Baltic cyber exercise / emergency preparedness exercise for public authorities together with Norges Bank and the Ministry of Finance

Governance indicators	Performance targets 2023 (planned figures)	2023 results (completed)	2022 results
Inspections of institutions' use of ICT systems and cyber security measures	20	21 inspections*: 10 at banks 2 at insurers 2 at payment institutions 2 at audit firms 2 at fund management companies 1 at a debt collection agency 2 at real estate agencies	22 inspections: 9 at banks 2 at insurers 2 at payment institutions 1 at an infrastructure entity 3 at investment firms 2 at audit firms 1 at a fund management company 1 at a debt collection agency 1 at a real estate agency
Inspections at payment institutions	2	2	2
Inspections at infrastructure entities	4	3	1

*In 2023, one more inspection than planned was carried out of institutions' use of ICT systems and cyber security measures. The planned inspection of ICT systems at infrastructure entities has been moved to 2024.

Key figures

	2023	2022
Number of ICT incidents and share of ICT incidents that have been followed up	408 ICT incidents**: 15 security incidents 393 operational incidents	287 ICT incidents: 19 security incidents 265 operational incidents

**The Ministry of Finance was informed about eleven of the ICT incidents. The reason for the increase in 2023 was a number of incidents that resulted in incorrect account balances due to duplicate or missing transactions, and these incidents affected several banks at the same time.

Operational goal 3 Investor protection

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

Finanstilsynet actively promoted strong investor protection in 2023 through information measures, ongoing supervision of the securities market and financial reporting enforcement.

The capital raised in the Norwegian share market was significantly lower than the previous year and at its lowest level since 2017. Most of the issues were private placements (92 per cent). The high proportion of private placements entails a risk that shareholders are not treated equally because of the discounts offered and dilution. In its supervision of investment firms and Oslo Børs, Finanstilsynet focused especially on private placements. In addition, issuers' handling of inside information was high on the agenda. There were only seven initial public offerings in 2023, which is the lowest number since 2012.

Finanstilsynet took the following actions during the year:

- carried out inspections at ten investment firms addressing private placements and equal treatment of shareholders at selected issuers as well as their handling of inside information
- carried out an inspection of Oslo Børs' follow-up of equal treatment of shareholders in connection with issuers' use of private placements. The inspection report will be ready in early 2024.
- participated in a Common Supervisory Action (CSA) arranged by the European Securities and Markets Authority (ESMA) and reviewed 13 investment firms' compliance with marketing and disclosure requirements
- carried out an inspection of EY in cooperation with the Public Company Accounting Oversight Board (PCAOB)
- initiated a thematic inspection at six audit firms of their compliance with the requirements laid down in the Auditing Regulation for an additional report to the audit committee, an auditor's report and ESEF reporting (European Single Electronic Format)
- reviewed the financial reporting of 26 institutions, including information about expected credit losses

- imposed administrative fines on two institutions for breaching the obligation to prepare an EEA prospectus
- reviewed compliance with the conduct rules, for example in connection with market soundings
- reviewed 28 investment firms' role in placing unlisted shares and bonds
- ordered an AIF manager to implement corrective measures in connection with capital raising in real estate funds
- decided to impose an administrative fine of NOK 5 million on an investor for violating the prohibition against market manipulation
- decided to impose an administrative fine on eleven investors for the sale of shares in violation of the prohibition against uncovered short sales
- developed a transactions reporting system (TRS) and a special system notifying when thresholds for disclosing the acquisition of shareholdings are passed
- imposed seven administrative fines for violation of the disclosure requirements and six administrative fines for violation of the notification requirement for primary insiders etc. using the new surveillance system and TRS data
- reported four cases of suspected insider dealing to Økokrim (the National Authority for Investigation and Prosecution of Economic and Environmental Crime)
- initiated a thematic inspection to map project finance companies involved in commercial real estate, including structures and property management
- carried out 51 inspections at external accounting firms, resulting in twelve decisions to revoke their authorisation as an external accountant and six decisions to revoke the authorisation as a state authorised accountant

Governance indicators	Performance targets 2023 (planned figures)	2023 results (completed)	2022 results
Financial statements reviewed	30	26	18
Inspections at audit firms	40	24	25
Inspections at external accountants	40	51	44

Key figures

	2023	2022
Vetted prospectuses	91	105
Cases of non-compliance with the reporting requirement for short sales that have been followed up	19	8
Cases of non-compliance with the notification requirement for securities trading that have been followed up	49	39
Breaches of the mandatory disclosure obligation that have been followed up	25	29

(The numbers for 2023 were corrected on 15 May 2024.)

Operational goal 4 Consumer protection

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

The requirements of the law as regards consumer protection and conflicts of interest are of key importance in the supervision of investment firms, management companies and financial institutions. The firms shall act honestly, fairly and professionally in accordance with the best interests of their clients and ensure that the integrity of the market is attended to in the best possible manner. Legislation and supervision also aim to encourage the firms to maintain sufficient internal controls and to promote an informed attitude to risk.

As a result of changes in the pricing models for mutual funds, there is a serious lack of transparent price information for consumers. Against this background, Finanstilsynet reviewed prices of a number of mutual funds offered by various fund managers. The results from the review were published in February 2024.

The supervision of managers of alternative investment funds (AIF managers) focuses on funds targeting retail investors.

Consumers are dependent on good information, and Finanstilsynet has dedicated a web page to consumer information. Finanstilsynet also responded to many requests from consumers in 2023.

External accounting firms maintain an important function for the smallest limited companies and sole proprietorships. Finanstilsynet oversees that these firms establish a quality management system that ensures that clients' interests are properly safeguarded.

In order to help protect consumers and customers, Finanstilsynet took the following actions during the year:

- carried out inspections at several institutions at which customer protection was one of the items on the agenda
- prepared draft rule changes aimed to clarify that pension institutions' price tariffs and management fees include remuneration to fund managers
- followed up new rules on buffer funds for private guaranteed pension products that came into force on 1 January 2024
- arranged a webinar on the high costs of living and consumer loans
- held presentations at several conferences
- arranged contact meetings with the Norwegian Financial Services Complaints Board, the Consumer Authority, Finance Norway and the Financial Industry Authorisation Schemes (FinAut)
- carried out a thematic inspection of real estate agencies' risk assessments and procedures for handling client funds, and prepared a circular on the basis of this
- followed up incident reports from a number of finance companies and debt collection agencies about errors in the collection process whereby debtors were charged excessive costs and interest

- approved several continuing education schemes and an authorisation scheme for insurance intermediaries
- conducted a thematic inspection of banks' recovery of own claims and their treatment of residential mortgage customers with payment difficulties and defaulted loans
- followed up insurance intermediaries' reporting, annual reporting, handling of client funds and reporting of complaints
- ordered an AIF manager to implement corrective measures in connection with capital raising in real estate funds
- processed applications for the marketing of alternative investment funds to retail investors
- initiated four thematic inspections at a total of 34 investment firms on (i) the placement of unlisted shares and bonds, (ii) private placements and equal treatment, (iii) trading portfolios and large exposures, and (iv) information processing and market surveillance, in addition to an on-site inspection at an investment firm, and completed four inspections that were initiated in 2022
- handled payments to policyholders in Alpha Insurance A/S' Norwegian branch in its capacity as secretariat for the Non-Life Insurance Guarantee Scheme
- prepared payments from the Non-Life Insurance Guarantee Scheme to policyholders under agreements entered into on a cross-border basis on behalf of the Norwegian government

Governance indicators	Performance targets 2023 (planned figures)	2023 results (completed)	2022 results
Inspections at financial institutions focusing on consumer protection	4	1	2
Inspections at investment firms	17	27	8
Inspections at fund management companies, including AIF managers	6	2	5
Inspections at insurance intermediaries	2	2	0
Inspections at real estate agencies	20	16	14
Inspections at debt collection agencies	7	7	6
Inspections at debt information undertakings	0	0	0

Operational goal 5 Effective crisis management

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

Uncertain macroeconomic and geopolitical times, including changes in the digital threat scenario, generally require a high level of preparedness to ensure adequate crisis management. High household debt coupled with rising interest rates and energy prices contribute to greater uncertainty. The European Banking Authority's (EBA) guidelines on improving banks' resolvability entered into force on 1 January 2024. During 2023, Finanstilsynet prepared for following up the guidelines.

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

- prepared resolution plans and set Minimum Requirements for Own Funds and Eligible Liabilities (MREL) for banks with critical functions
- followed up the institutions' preparations to meet the resolvability requirements, cf. EBA's resolvability guidelines, which included a questionnaire survey
- provided guidance to the institutions on the overarching requirements for internal recapitalisation ('bail-in mechanics')

- headed the resolution college for DNB and participated in corresponding colleges for the largest foreign banks with a subsidiary or branch in Norway
- participated in relevant international forums on crisis management and in EBA's Resolution Committee and subgroups
- chaired the Financial Infrastructure Crisis Preparedness Committee (BFI), where three ordinary meetings were held, as well as one annual exercise

Governance indicators	Performance targets 2023 (planned figures)	2023 results (completed)	2022 results
Resolution plans established by Finanstilsynet	13	13	13
Recovery plans assessed by Finanstilsynet	33	13*	7
MREL requirements set	13	13	13

* The recovery plans of small and medium-sized banks have not been followed up as planned due to a lack of resources.

Operational goal 6 Fight against crime

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

The institutions that are subject to the anti-money laundering (AML) legislation play an important role in preventing and uncovering money laundering and terrorist financing. Just like the other European supervisory authorities, Finanstilsynet has intensified its efforts in this field in recent years. Supervisory experience shows that a number of institutions have intensified their efforts against money laundering and terrorist financing, but inspections have also revealed many instances of inadequate compliance with the AML legislation.

In 2023, administrative fines were levied on two banks and nine external accountants for non-compliance with the AML legislation

Since 2021, Finanstilsynet has been involved in an IMF project that assesses AML/CTF inspections in the Nordic and Baltic countries. A report from the project was published in September 2023.

A new regulatory framework to strengthen the EU's efforts to combat money laundering and terrorist financing was under consideration in the EU in 2023. It includes the establishment of a new European supervisory authority that will intensify this work and help enhance cooperation among national financial supervisory authorities.

In 2022, the Norwegian government decided to present a report to the Storting (Norwegian parliament) on the fight against financial crime. The report will include topics within Finanstilsynet's area of expertise. During 2023, Finanstilsynet provided input to the report.

In order to supervise compliance with the AML legislation, Finanstilsynet took the following actions during the year:

- published a new assessment of the risk that obliged entities under supervision may be misused for money laundering and terrorist financing

- followed up incidents in several banks based on indications of non-compliance with the AML legislation
- published a report from a thematic inspection addressing sanction screening
- was involved in the work on a new guidance to the asset freeze provisions
- participated in the steering group for public-private cooperation in the financial sector for combating money laundering and terrorist financing
- participated in the government's contact forum against money laundering and terrorist financing
- participated in contact meetings with Økokrim, the police, Norwegian Customs, the National Criminal Investigation Service, the Norwegian Tax Administration and others.
- participated in international cooperation on measures against money laundering and terrorist financing in the financial sector, including the EAB's Standing Committee on Anti-Money Laundering and Countering Terrorist Financing (AMLSC), and in several supervisory colleges following up individual institutions
- revoked the licences of two payment institutions offering the payment service 'money transfers' due to non-compliance with the AML Act

Illegal activity

Illegal activity contributes to weakening confidence in the financial markets and represents unfair competition for firms operating in compliance with the regulations. Those who engage in illegal activity may operate outside or on the verge of regulation and supervision and create the wrong impression that they are regulated and under supervision. This may be the case for new digital platforms that challenge traditional business models. Social media are among the tools used to attract and defraud consumers and investors. These groups should

check for themselves whether a firm is serious and reliable, which should include checking Finanstilsynet's registry and market warnings before accepting the investment services on offer. Finanstilsynet follows up illegal activities, which in some cases includes requiring firms to wind up their operations. Several cases are also reported to the police.

In order to follow up illegal activity, Finanstilsynet took the following actions during the year:

- reported two firms to the police. An order was issued for the termination of illegal accounting activities. 21 firms received a letter from Finanstilsynet, drawing their attention to the licensing requirements and emphasising that activities in breach of the requirements must stop.
- made decisions on the termination of operations for five firms engaged in illegal loan intermediation. Most of the decisions have been appealed, and the appeals have been sent to the Ministry of Finance, which is the appeal authority.

- stopped several cases of illegal loan intermediation on Facebook

In 2023, Finanstilsynet investigated 13 firms for possible illegal provision of investment services without the required licence. These firms take direct contact with Norwegian investors and/or market their activities on their websites. In 2023, Finanstilsynet made no decisions on the termination of operations, but published six warnings emphasising that the relevant firms are not licensed to provide investment services in Norway. Finanstilsynet published a further 1,317 warnings from foreign supervisory authorities against firms providing services in the EEA without the requisite authorisation.

Finanstilsynet has cooperated with other agencies on several cases, especially with Økokrim, a number of police districts, Norwegian Customs, the National Criminal Investigation Service and the Norwegian Tax Administration.

Governance indicators	Performance targets 2023 (planned figures)	2023 results (completed)	2022 results
AML/CFT inspections at banks	4	3	5 on-site inspections at banks 1 off-site inspection at all banks
AML/CTF inspections at other types of obliged entities (Several of these inspections are also included under other operational goals.)	86 in total	8 at real estate agencies 11 at AIF managers 2 at payment institutions 8 at audit firms 22 at external accounting firms	17 at investment firms 10 at real estate agencies 2 at payment institutions 1 at an e-money institution 1 at a provider of virtual currency services 9 at audit firms 25 at external accounting firms 7 at insurers

Key figures

	2023	2022
Number of notifications of illegal activities and number of notifications that have been followed up	32 notifications, 13 cases concerning provision of investment services 13 notifications, 2 cases concerning estate agency 27 notifications, 24 cases concerning external accounting services	9 cases of provision of investment services 2 cases of illegal loan intermediation 1 case concerning virtual currencies 2 cases of illegal external accounting services
Number of investigated suspicious cases related to market conduct	457	324

Other activities

Climate risk and sustainability / green finance

More knowledge is required about how climate change affects financial markets and how climate-related risk may affect financial stability. In accordance with the letter of allocation, Finanstilsynet has followed up international cooperation in this area, particularly the work on regulatory development, guidance and supervisory practices in the EU, and has also participated in the Network for Greening the Financial System (NGFS).

The Act on the Disclosure of Sustainability Information in the Financial Sector and a sustainable investment framework for the financial sector came into force in January 2023. Supplementary rules did not come into force until December 2023, while Finanstilsynet advised the institutions to comply with the upcoming rules even before they came into force. Finanstilsynet will follow up the institutions' compliance with the new rules.

In these fields, Finanstilsynet took the following actions during the year:

- submitted a response to Official Norwegian Report 2023: *15 Sustainability reporting – implementation of the Corporate Sustainability Reporting Directive (CSRD)*
- started to prepare administrative procedures and systems for processing applications for permission to conduct sustainability audits and sustainability assurances pending the entry into force of new legislation
- observed the work on the planned EU climate stress test
- included sustainability and climate risk in all inspections of banks, insurers and investment firms
- followed up and assisted the European Banking Authority (EBA) in investigating green lending
- followed up fund managers' integration of sustainability risk in their operations and information on sustainability factors to investors
- established a model for supervision of investment firms to follow up the EU's new rules on the disclosure of sustainability information in the financial sector and the sustainable investment framework
- followed up climate-related issues in the financial reporting of listed companies

- observed the work of the NGFS (the Network of Central Banks and Supervisors for Greening the Financial System), focusing on the workstream on scenario design and analyses and stress testing
- carried out a thematic inspection of loans for the financing of office buildings, where sustainability and climate risk were on the agenda
- included sustainability/climate risk in analyses of banks' and insurers' exposures to commercial real estate

Fintech and regulatory sandbox

Since the establishment of the sandbox in 2019, Finanstilsynet has received 21 applications for admission. Five projects have been admitted to the sandbox, four of which have been completed. Project plans and final reports are published on Finanstilsynet's website. Finanstilsynet received two applications for admission to the regulatory sandbox in 2023.

Qbig AS was admitted to the sandbox in 2023. The firm plans to develop a data platform for quality assurance of external accountants. The project is well underway and is scheduled for completion during the first quarter of 2024.

An experience seminar was arranged in December 2023 where Finanstilsynet, the Norwegian Data Protection Authority, the Norwegian Digitalisation Agency, the Norwegian Medical Products Agency, the National Archives and the Norwegian Directorate of Health shared experiences from working with sandboxes as a means of innovation.

Finanstilsynet participates in the European Forum for Innovation Facilitators (EFIF). EFIF was established by the European Commission in 2019 to promote the development of fintech through coordination and cooperation between member states' regulatory sandboxes and innovation hubs, aiming to reach a common view on the regulatory treatment of innovative products, services and business models. Finanstilsynet has attended four EFIF meetings (one in person).

In 2023, EFIF established a taxonomy of financial innovation. Financial innovations are classified in a matrix by sectors, financial services and enabling technologies, which makes it easier for supervisory authorities and other stakeholders to search for relevant projects.

Finanstilsynet is in ongoing dialogue with various fintech environments in the financial industry, including Startuplab in Oslo Science Park and Fintech Norway in Bergen.

Management and control of Finanstilsynet's operations

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Management and control of Finanstilsynet's operations

Management structure

Finanstilsynet's Board of Directors has overarching responsibility for operations. The Director General is in charge of the day-to-day management.

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

Finanstilsynet's activities are regulated by the Financial Supervision Act and special legislation governing the respective supervised sectors. Every four years, Finanstilsynet draws up a strategy for its activities. Along with the letter of allocation and other assignments from the Ministry of Finance, the strategy forms the basis for the annual plans for these activities. The daily

management and the reporting to the Board are based on the annual activity plans.

The letter of allocation is the key governing document in the management dialogue between the Ministry of Finance and Finanstilsynet. At end-April and end-August, Finanstilsynet reports on the activities carried out and on other matters in accordance with the letter of allocation. These reports form part of the basis for the Ministry's evaluation of Finanstilsynet's performance. Finanstilsynet's reporting also includes an annual report.

The Board normally meets every month excluding July. The Board Chair regularly participates in reporting meetings with the Ministry of Finance. See also the description below of the Board's work in 2023.

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

Finanstilsynet is subject to an annual audit by the Office of the Auditor General, and the report from the audit is published on Finanstilsynet's website. See also chapter VI Annual accounts.

The Board of Directors' work

Finanstilsynet has overall responsibility for Finanstilsynet's operations. The Board shall have five members, two alternates and two members representing the employees. One of the board members resigned in March 2023, and one of the alternates serves as a board member until a new board member is in place. The Board of Directors has established rules of procedure for its work. These are available on Finanstilsynet's website. According to the rules of procedure, the Board Chair and the Director General shall ensure that relevant matters requiring consideration by the Board are brought before the Board and that the work of the Board is organised in an appropriate and proper manner.

There were eleven regular and three extraordinary board meetings in 2023. The Board decided on 31 administrative and 39 professional matters. In addition, 22 administrative and 31 professional matters were presented to the Board in writing. Relevant matters are also presented orally to the Board.

The Board considers overarching and long-term plans for Finanstilsynet's work, including its strategy, activity plan, annual budget, annual report and annual accounts. In 2023, the Board adopted Finanstilsynet's strategy for 2023–2026 and Finanstilsynet's digitalisation strategy for the same period. The Board also considered Finanstilsynet's consultation response regarding Norwegian Official Report 2023: 6 *Finanstilsynet in a new era – new Act on Finanstilsynet*.

Every year, the Board considers the distribution of supervisory levies on supervised institutions to cover Finanstilsynet's expenses. The distribution is based on detailed provisions in the Financial Supervision Act. In 2023, the rules were amended so that fees can be charged, within stipulated limits, for Finanstilsynet's processing of applications and notifications of cross-border activities in Norway. The Board of Directors determined the fee amounts.

The Board considers matters of principle and other matters of particular importance. In 2023, the Board considered several matters concerning notifications of administrative fines. The matters

concerned market manipulation, uncovered short sales, breaches of the obligation to notify Finanstilsynet of incidents pursuant to the Central Securities Depository Act and violation of duties under the anti-money laundering legislation. Once the Board has considered the matters of principle thus raised, similar future matters will normally be decided by Finanstilsynet's administration.

Other matters of principle and of particular importance considered by the Board were the rejection of an application by a manager of alternative investment funds to market a fund to retail clients. The Board also considered a complaint from a debt collection agency against Finanstilsynet's order for corrective measures, a complaint against a decision to revoke a debt collection authorisation and a complaint against the rejection of an application to engage in debt collection activities.

All cases concerning licences for the establishment of a bank or an insurer as well as the revocation of such licences are considered by the Board. In 2023, the Board gave one firm permission to engage in life insurance business and one firm permission to engage in banking operations. The Board also considered a complaint against Finanstilsynet's rejection of an application to operate as a defined contribution pension undertaking.

The Board considers the Risk Outlook report, which is published twice a year and summarises Finanstilsynet's analyses and assessments of the stability of the Norwegian financial system. Other matters on the Board's agenda in 2023 included capital requirements for banks and Finanstilsynet's annual recommendation to the Ministry of Finance regarding which institutions should be identified as systemically important

in Norway and be subject to a special buffer requirement of 1 or 2 per cent.

During the year, Finanstilsynet's administration presented several matters to the Board for information concerning reports on the performance of financial institutions, investment firms, fund management companies and managers of alternative investment funds, solvency reports for financial institutions, developments in consumer debt, an overview of losses and non-performing loans in banks and a report on financial institutions' use of the flexibility quotas in the Lending Regulations.

In addition to the consultation response to the draft new Financial Supervision Act, the Board considered the consultation responses to Official Norwegian Report 2022: 20 *A comprehensive tax system*, Official Norwegian Report 2023: 15 *Sustainability reporting – implementation of the Corporate Sustainability Reporting Directive (CSRD)*, the Ministry of Local Government and Regional Development's proposed amendments to the Housing Cooperatives Act and the Act on Owner Sections to facilitate the preparation of home-buying models, and the Ministry of Finance's proposals regarding the future work on national accounting standards.

Finanstilsynet's proposed regulatory amendments shall be considered by the Board when the merits of the law result in material changes in the legal situation in the relevant area or otherwise are of major significance. In 2023, the Board considered Finanstilsynet's proposals for the implementation of Regulation (EU) on European Green Bonds, Regulation (EU) on Digital Operational Resilience for the Financial Sector and Regulation (EU) on Markets in Crypto-Assets.

Operational efficiency and organisational development

Finanstilsynet is working continuously to identify and implement measures that may improve, streamline and digitalise supervisory practices, work processes and case processing.

Employees with good and relevant expertise represent Finanstilsynet key resource. The competence strategy emphasises Finanstilsynet's social mission, business and market understanding, industry knowledge, supervisory expertise, digital competence and management, and is followed up at section, department and organi-

sational level. As part of the competence strategy, a management development programme for all Finanstilsynet's managers was arranged in 2023. The programme was expanded somewhat compared with the original plan since the new Director General and several new managers took up their positions in 2023.

Finanstilsynet's administrative functions support its supervisory activities. Finanstilsynet uses the document processing system WebSak (approved according to the Noark 5 standard) from ACOS as well as the elnnsyn and eFormidling solutions. The responsibilities of the finance function include public procurement, budget and accounting.

Finanstilsynet has an agreement with the Government Agency for Financial Management (DFØ) on payroll and accounting services and with the Norwegian National Collection Agency on the collection of supervision fees from supervised institutions. As from 2024, Finanstilsynet presents its accounts according to Government Accounting Standards (GAS).

Streamlining and digitalisation

Finanstilsynet emphasises that the digitalisation process must have a clear direction and be based on explicit goals in line with its digitalisation strategy and the government guidelines in the Digitalisation Circular and the digital strategy for the public sector 2019–2025. Finanstilsynet uses an agile development methodology with frequent deliveries and systematic follow-up through an established portfolio management structure.

Finanstilsynet's digitalisation project, which runs from 2022 to 2026, covers automation of licensing matters, digitalisation of supervisory processes, more efficient reporting and data capture, better analytical solutions and increased data sharing. The project aims to increase the scope and pace of digitalisation at Finanstilsynet, and the Ministry of Finance is updated through separate reports.

Finanstilsynet's digitalisation project was on schedule in 2023. More processes were automated, the transition to the new reporting platform Altinn 3 progressed faster than expected, and more data became available through user-friendly tools. Finanstilsynet also worked on a framework for data management. In addition, arenas were established for developing digital expertise in the organisation.

Finanstilsynet has started a process to test and develop digital and automated solutions based on the use of artificial intelligence for supervision and monitoring in certain areas. Internal guidelines for the use of these types of services have been established and will be reviewed during the testing period.

By developing ways to share data with other public institutions, Finanstilsynet contributes to ensuring that institutions do not have to report data more than once and that public funds are used effectively.

In 2023, Finanstilsynet worked on the following sub-projects in the digitalisation strategy:

- new reporting platform for supervised institutions (Altinn 3)
- a new registry with better sharing of data from Finanstilsynet
- increased use of Power BI in reports to give internal and external users improved access to data and analyses
- more automated processes in supervisory and administrative matters

Reporting based on common government guidelines for consultancy services in 2023

In accordance with the letter of allocation, Finanstilsynet shall seek to reduce the use of consultants in areas where it is possible to use internal resources and expertise. Over the past few years, Finanstilsynet has recruited three persons with technical expertise in relevant specialist areas. They are working on developing a new data platform, with the transition to the Altinn 3 platform and with data management. This recruitment helps reduce Finanstilsynet's use of consultants.

Consultancy services for the management and development of ICT solutions

Finanstilsynet has an extensive system portfolio, and significant resources are required to ensure secure and stable operations. Errors need to be corrected, and integrations between systems must be maintained. The system portfolio requires a high degree of specialist expertise in various technology areas. It will not be prudent to have internal professional environments with specialist expertise in all relevant areas.

Finanstilsynet must have adequate internal expertise to be at the helm of the operation and development of its own ICT solutions. This includes the required capacity and competence to ensure necessary management and control of the development of ICT systems and the overall ICT architecture.

In 2023, Finanstilsynet hired external consultants to manage, operate and further develop:

- the data warehouse
- a new analysis platform
- the transition to Altinn 3, including the development of new forms
- reporting solutions – receipt, validation and forwarding to European supervisory authorities
- professional systems and registers
- robotic process automation (RPA)
- ICT security
- Finanstilsynet's website (finansstilsynet.no)
- the intranet solution

Consultancy services for strategic ICT development

The consultancy firm Gartner provides advice relating to strategy, management and follow-up, new technology, use of cloud services, security, data management, procurement, change management and work methods.

Legal assistance and other consultancy services

Finanstilsynet has its own team of experts working on preparing for and carrying out procurements, but occasionally needs some external legal assistance. The reason for the decrease in 'Other consultancy services' in 2023 is that the expenditure on the framework agreement for the external online solution was lower than in 2022.

Table 10: Consultancy costs (in NOK)

	2022	2023
Consultancy services relating to software development and ICT solutions	24,904,046	38,312,886
Consultancy services relating to organisational development	2,889,504	3,630,500
Legal consultancy services	295,201	321,014
Other consultancy services	2,008,448	394,635

Environmental responsibility

Finanstilsynet aims to be an environmentally conscious and attractive employer offering employees a safe workplace and a good working environment and devotes increasing attention to the working environment and sustainable operations throughout the organisation. Finanstilsynet has adopted an overarching environmental standard and guidelines for promoting climate and environmentally friendly procurement and travel and has been certified as an Eco-Lighthouse since 2022.

Emphasis is placed on efficient resource utilisation, and purchases of fixtures and fittings and other goods take account of their useful life, reuse and recycling. In 2020, Finanstilsynet entered into an agreement for the return of ICT equipment, whereby such equipment can be reused by, for example, school children. In 2023, 328 items were reused and 270 recycled. In addition, the canteen is working to reduce food waste, improved waste sorting has been introduced in the office premises, and measures to reduce electricity consumption are under consideration.

The supervision of compliance with requirements related to climate risk and sustainability in the financial sector is discussed in chapter III under operational goal 6.

Internal control

Finanstilsynet has a set of common procedures and guidelines for operations, including case processing and security procedures. A code of ethics for all employees has been established. In addition, working procedures and checklists adapted to the various supervised sectors have been prepared. All guidelines and procedures are regularly updated.

Based on the risk assessments carried out by Finanstilsynet for its operations and the supervised sectors, all sections prepare their own activity plans. An overall activity plan for Finanstilsynet specifies the activities designed to meet the operational goals and performance indicators, see chapter III. Management follows up the activity plans throughout the year to assess whether resource input and results are in keeping with plans and priorities and ensure that any divergencies are explained and addressed. If necessary, the plans will be adapted to new needs and assumptions during the year.

The greatest risk to Finanstilsynet's supervisory activity relates to its ability to have adequate specialist expertise in the various supervised sectors. Finanstilsynet therefore places great emphasis on sound management, a good personnel policy and expertise enhancement.

The occurrence of irregularities in Finanstilsynet is regularly reviewed. It is Finanstilsynet's understanding that irregularities entail a deliberate and dishonest act, committed to obtain an unfair or unlawful advantage by one or more persons in the management team, by persons who have overarching responsibility for management and control, by employees or by others. Measures to reduce irregularities shall be proportionate to the risks and not be an unnecessary obstacle to effective work processes. No significant irregularities were registered in 2023.

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

No significant weaknesses, faults or deficiencies were brought to light through the internal control system in 2023.

Finanstilsynet prepares guidelines and procedures for processing protocols, as required by the General Data Protection Regulation. This work is scheduled to be completed in 2024. The work on personal data protection is a continuous process, and policies and procedures must be regularly updated to reflect changes in the organisation and new national and international requirements.

Finanstilsynet's internal control system is designed to provide a sound basis for ensuring purposeful, efficient operations, reliable reporting and compliance with relevant rules, internal policies and procedures. Finanstilsynet is characterised by a high degree of stability, and significant errors or failure of procedures are rare.

Security and preparedness

Finanstilsynet attaches importance to maintaining security and preparedness for potential crises in individual institutions, the financial infrastructure and markets, as well as potential threats to ICT security both in supervised institutions and in its own operations. In addition, it is prepared to meet other potential incidents in its own organisation and conducts regular fire and evacuation drills in cooperation with Norges Bank.

In order to make the employees better versed in ICT security and ICT threats, Finanstilsynet conducted regular phishing tests in 2023, followed by awareness training. Finanstilsynet regularly updates its security and preparedness framework. In autumn 2023, Finanstilsynet entered into a new framework agreement on preparedness and emergency support systems.

Cybercrime is increasing in scale and represents a major risk for the financial sector. Even though the key institutions in the Norwegian financial infrastructure have thus far handled the challenges well, a digital incident may occur abruptly and lead to a collapse with far-reaching social consequences. Supervision and follow-up of institutions' efforts to reduce non-conformances and improve ICT security is important to promote stable and robust operating systems and a sound infrastructure.

Crisis management

Higher interest rates and uncertain macroeconomic and geopolitical times generally require a high level of preparedness to ensure adequate crisis management. High household debt and elevated property prices, both in a historical perspective and compared with other countries, create vulnerability. Finanstilsynet monitors institutions and markets and is prepared to provide for the resolution of institutions in distress. It can respond quickly and draw resources from other areas of responsibility in the organisation. Emergency preparedness is important to mitigate the consequences of adverse incidents. In recent years, Finanstilsynet has gained experience in dealing with crises through the Covid-19 pandemic and the war in Ukraine, for example related to sanctions and cyber threats.

Assessment of future prospects



Assessment of future prospects

Risk of financial instability

High debt in Norwegian households and elevated residential and commercial property prices are the key vulnerabilities in the Norwegian financial system. Owing to many years of low interest rates and ample access to credit, the debt burden of households and non-financial corporations has increased in Norway and other countries. This has resulted in vulnerabilities in the economies and a greater risk of financial instability. The uncertainty is exacerbated by geopolitical tensions.

The financial system should be able to cope with disruptions and unexpected negative events while carrying out its functions, thus preventing an economic downturn from becoming self-reinforcing. Experience from Norway and other countries shows that crises in the financial system can occur suddenly and spread rapidly among market participants, both nationally and internationally. An international downturn could lead to financial market turbulence and increase the risk of financial instability, also in Norway.

Crisis management and digital vulnerability

Changes to the cyberthreat landscape after Russia's attack on Ukraine, upheaval in the Middle East and an increase in cybercrime have contributed to a greater focus on the risk of systemic cyber incidents and the importance of digital resilience and recoverability in the financial sector. Social media campaigns where rumours and disinformation are spread could also quickly affect confidence in the financial system and individual firms and thus trigger banking crises.

Better prevention of ICT incidents in the financial sector will reduce the likelihood of severe incidents occurring. The EU adopted new pan-European rules on ICT risk in the Digital Operational Resilience Act (DORA) in December 2022. The new rules are intended to ensure that all relevant actors in the financial system establish measures to mitigate the risk of cyberattacks and other ICT risks. All institutions shall be able to deal with all types of disruptions and threats to their ICT operations. The rules also establish a framework for supervision of cloud service providers and other systemically important providers to the financial sector.

Artificial intelligence

An increasing number of institutions are using advanced analytics, machine learning and artificial intelligence in their operations. The technology developed and used by financial institutions in Norway must be based on ethical principles, human rights and democracy. Systems and solutions based on artificial intelligence must respect customers' right to self-determination and control and take privacy, inclusion, diversity and equal treatment considerations into account.

At the strategic level, it is important that institutions' boards of directors and management teams are well aware of the challenges and risks when they start using artificial intelligence in their operations. Institutions must have systems that ensure good management and control of data collection, model development and solution management.

Climate risk and sustainability

The transition to a more sustainable society and the use of renewable resources call for a major restructuring of the economy. The transition phase may result in financial losses in industries and businesses that are adversely affected by the changes. It may also subject banks and other financial institutions to losses. Non-life insurers are particularly exposed to physical climate risk. Finanstilsynet expects financial institutions to cover all significant risks, including climate risk, in their risk management systems.

There is great interest in green investment products, and there is a risk that mutual funds and other securities are marketed as sustainable without actually being so. Such greenwashing undermines sustainability efforts. Pan-European rules on environmental objectives, classification and required information from the institutions have been implemented in Norway and will form the basis for Finanstilsynet's follow-up of greenwashing risk.

New regulations on sustainability reporting and assurance of such information that will probably enter into force from the 2024 financial year will entail new, major tasks for Finanstilsynet.

Consumer protection

Finanstilsynet protects consumers by controlling which undertakings are authorised to provide financial services, supervising them and, if relevant, sanctioning infringements. In the recent period, high inflation and elevated interest expenses have had a negative impact on consumer finances. The economic situation underlines the importance of banks following good marketing practices, providing good advice and making thorough credit assessments. The banks have a responsibility for ensuring that consumers are not granted loans that may give them financial problems and for safeguarding the interests of residential mortgage customers who experience payment difficulties.

Finanstilsynet also promotes consumer protection by overseeing real estate agencies' compliance with the regulations with respect to the provision of information to buyers and sellers, bidding and client fund management, etc. Supervision of debt collection agencies strengthens consumer protection by helping to protect debtors against unreasonable and unlawful collection of monetary claims.

Several new services have been launched for consumers on digital platforms in recent years, and the market of providers is complex and undergoing rapid change. There is increasing crowdfunding activity on digital platforms. A new Crowdfunding Act is expected in 2024, and Finanstilsynet will follow it up through information measures and a supervisory model.

The new pan-European Markets in Crypto Assets Regulation (MiCA) will entail new supervisory tasks for Finanstilsynet. It is particularly important to adapt the regulation of various crypto assets, which is not laid down in current regulations. This includes money laundering and terrorist financing.

Effective financial supervision

Finanstilsynet's supervisory activities shall be risk-based within the framework set out in laws and regulations, available resources and guidelines and assignments from the Ministry of Finance.

New and comprehensive reporting requirements provide large volumes of data that Finanstilsynet can make greater use of in its supervisory activities than is the case today. Finanstilsynet should also share more of the public data reported by the institutions to make it easier for professional market participants and consumers to retrieve information for their own use and decisions. It is also important that public authorities have open and accessible data and cooperate on good solutions for various user groups.

Finanstilsynet's process to digitalise more of its tasks will contribute to streamlining its supervisory activity by refining reporting and analysis solutions and information and cooperation channels, both within the organisation and for supervised institutions and the general public.

In order to conduct effective and risk-based supervision, Finanstilsynet needs competent employees who are well acquainted with the financial sector. Finanstilsynet seeks to recruit people with the right expertise, facilitate internal competence development, adapt to changes in the financial market and further develop its ability to analyse the risk landscape and market trends.

Annual accounts

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Annual accounts

Comments from the Director General

The annual accounts are prepared and presented in accordance with the Regulations on Financial Management in Central Government and appurtenant circulars and requirements from the Ministry of Finance. The presented accounts with notes provide a true and fair view of Finanstilsynet's disposable appropriations, revenues and expenses, assets and liabilities in 2023.

The Storting determines Finanstilsynet's expenditure budget and revenue budget as part of the National Budget. The 2023 operating expenditure budget (item 01) originally totalled NOK 464.5 million. The budget was later increased by NOK 6.4 million in the revised National Budget and by NOK 13.0 million to compensate for the wage settlement. Including NOK 17.8 million carried forward from 2022, the aggregate disposable operating budget came to NOK 501.7 million.

Parts of Finanstilsynet's budget are allotted over item 45 *Major procurements and maintenance (IT)*. This appropriation is earmarked for ICT development projects, and unused funds can be transferred to subsequent budget years. In the budget for 2023, there was an appropriation of NOK 36.0 million which, together with a NOK 1.3 million increase in the revised National Budget and NOK 13.0 million carried forward from 2022, brought disposable funds to NOK 50.2 million. This included a NOK 21.5 million increase in funds for digitalisation initiatives. These initiatives are scheduled to be implemented during the period 2022–2026 and will cover automation of licensing matters, digitalisation of supervisory processes, more efficient reporting, better analytical solutions and increased data sharing. The project aims to increase the scope and pace of digitalisation at Finanstilsynet, and the Ministry of Finance is updated through separate reports. The focus on digitalisation also resulted in a NOK 6.5 million increase in the operating budget.

Finanstilsynet emphasises that the digitalisation process must have a clear direction and be based on explicit goals in line with the adopted digitalisation strategy and the government guidelines in the Digitalisation Circular and the digital strategy for the public sector 2019–2025.

For a long time, Finanstilsynet has been refining its ICT systems to ensure compliance with new and comprehensive pan-European regulations and to streamline and improve its supervisory activities. The process to develop effective reporting and analytical solutions integrated with Finanstilsynet's professional

systems has been ongoing for several years and will continue over the coming years in order to handle the increasing number of tasks.

The appropriation report shows that aggregate expenditure in 2023 came to NOK 501.7 million, up 13.9 per cent in nominal terms from 2022. The appropriation report also includes VAT charged to the government VAT netting arrangement. The expenditure underrun for item 01 *Operating expenditure* was NOK 6.9 million, which Finanstilsynet has applied to carry forward to 2024. The expenditure underrun for item 45 was NOK 11.6 million, which Finanstilsynet has also applied to carry forward to 2024. The calculation of underruns is shown in Note B.

Overall salary expenditure came to NOK 374.1 million – a 13 per cent increase from 2022. Disbursements to salaries accounted for 70.5 per cent of total disbursements to operations in 2023, up from 69.6 per cent in 2022. The number of FTEs worked in 2023 was 300, compared with 288 in 2022. See a further account of the number of employees in Finanstilsynet in chapter II. The rise in the overall salary expenditure from 2022 can be explained by an increase in the number of FTEs worked and higher pension premiums paid to the Norwegian Public Service Pension Fund. Pension premium payments totalled NOK 34 million in 2023, up 53.6 per cent from 2022. See a further account of pension premiums in the note on accounting policies on page 48.

Disbursements for investment and other disbursements to operations, see reporting by natural classification, show an increase of 10 per cent from 2022. This is partly due to the digitalisation project, which leads to an increase in the purchase of consultancy services and licences. In addition, there were higher payments for Norway's participation in working groups set up by the European Supervisory Authorities and in two EU programmes.

Finanstilsynet charges fees for prospectus control under the Securities Trading Act and for processing applications for a licence to operate as a payment institution, an e-money institution or an account information service provider and to engage in debt collection. Total fees paid in 2023 were NOK 10.2 million, down from NOK 13.5 million in 2022.

Pursuant to section 9 of the Financial Supervision Act, Finanstilsynet's expenses are covered by the institutions under its supervision in the budget year. Under the Act, the expenses shall be distributed among the various groups of institutions according to the extent of the supervision. The overall claim for supervisory levies came to NOK 513.1 million. The supervisory levy is

apportioned on the individual institution under detailed rules set out in regulations on the levying of expenses for supervision. After prior consultation with the trade organisations concerned, Finanstilsynet's supervisory levy for 2023 was communicated to the institutions for payment in May 2023. Levies were charged to a total of 15,836 entities under supervision, including 90 foreign branches. The largest category of supervised entities is external accountants, numbering 12,307 at the start of 2023.

Relinquishment of gain and administrative fines are entered under Finanstilsynet's revenue chapter. These revenues are not part of the basis for calculating the supervisory levy and accrue to the Treasury. Fines totalling NOK 192.4 million were paid in 2023, compared with NOK 8.7 million in 2022.

In 2023, a total of NOK 0.5 million was paid to cover legal costs in appeals.

The Office of the Auditor General audits the activity of Finanstilsynet. The audit report for 2023 is due to be available by 1 May 2024 and will be published on Finanstilsynet's website.

Per Mathis Kongsrud

Oslo, 29 February 2024

Per Mathis Kongsrud

Director General

Accounting policies

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

Finanstilsynet pays pension premiums to the Norwegian Public Service Pension Fund. Up until 2020, the premium was calculated based on a technical settlement and fund monitoring, where the employer's share was determined on an annual basis. From 2021, Finanstilsynet has complied with the provisions of circular R-118 'Budgeting and accounting for pension premiums for public enterprises'. In 2022, NOK 11.5 million was deducted from Finanstilsynet's pension premium payments of as a result of excessive premium payments in 2020 and 2021. Including employer's national insurance contributions, there was a NOK 13.1 million deduction.

With effect from 2022, the premium scheme for public enterprises was restructured. This means that premiums are calculated on the basis of actual events that affect public enterprises' pension expenses and changes in the number of members of their respective pension schemes. Employers still pay 2 percentage points of pensionable salary.

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

Appropriation reporting

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

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

Reporting by natural classification

The reporting by natural classification with notes shows Finanstilsynet's reports to the central government accounts in 2023 based on the standard chart of accounts in the accounting year with comparatives for 2022.

In lower part of the statement shows the preliminary account with the Treasury. In order to get a true and fair view of expenses and revenues, the standard statement is supplemented by a line under assets and liabilities – 'Bank accounts with central government funds outside Norges Bank'. The amount refers to accounts that are used for payment of employees' contributions for welfare measures in Finanstilsynet.

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

Table 11: Appropriation report for the 2023 accounting year, itemised

Expenditure chapter	Chapter name	Item	Item text	Note	Total appropriation	Accounts 2023	Expense overrun (-) or underrun	Entered by others in accordance with authorisations	Deviation from allocation
1602	Finanstilsynet	01	Operating expenses	A,B	501,731,000	494,851,828	6,879,172		
1602	Finanstilsynet	45	Major procurements and maintenance (IT)	A,B	50,200,000	38,575,082	11,624,918		
1633	Govt. VAT netting arrangement	01	Govt. VAT netting arrangement		0	24,059,705			
Total expensed					551,931,000	557,486,616			

Revenue chapter	Chapter name	Item	Item text	Note	Total appropriation	Accounts 2023	Revenue overrun or underrun (-)	Entered by others in accordance with authorisations	Deviation from allocation
4602	Finanstilsynet	03	Administrative processing fees	A,B	10,200,000	10,210,000	10,000		
4602	Finanstilsynet	86	Relinquishment of gain, administrative fines etc.	A,B	196,000,000		-196,000,000	192,434,451	-3,565,549
5580	Sectoral levies set by Ministry of Finance	70	Finanstilsynet, contributions from supervised entities	A,B	513,068,000	30,000	-513,038,000	512,667,723	-400,277
5700	Contributions to the National Insurance Scheme	72	Employer's contribution		0	48,650,264			
Total taken to revenue					719,268,000	58,890,264			

Net amount reported to the appropriation account **498,596,351**

Capital accounts

60050601	Norges Bank CA / receipts	22,738,055
60050602	Norges Bank CA / payments	-511,804,280
716106	Change in outstanding account with the Treasury	-9,530,126
Total reported		0

Holdings reported to the capital account (31 Dec.)

		2023	2022	Change
716106	Outstanding account with the Treasury	-36,461,125	-26,930,998	-9,530,126

Note A Explanation of overall allocation

Chapter and item	Brought forward from last year	Current year's allocations	Overall allocation
1602 01 Operating expenses	17,795,000	483,936,000	501,731,000
1602 45 Major procurements and maintenance (IT)	12,965,000	37,235,000	50,200,000
4602 03 Administrative processing fees		10,200,000	10,200,000
4602 86 Relinquishment of gain, administrative fines etc.		196,000,000	196,000,000
5580 70 Contributions from supervised entities		513,068,000	513,068,000

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

Chapter and item	Headword	Expense overrun (-) / underrun	Expense overrun (-)/ underrun in accordance with debt authorisations	Overall basis for amount brought forward	Max. amount to be brought forward*	Possible amount to be brought forward calculated by Finanstilsynet
1602 01		6,879,172	6,879,172	6,879,172	24,196,800	6,879,172
1602 45	'May be brought forward'	11,624,918	11,624,918	11,624,918	72,535,000	11,624,918

* The maximum amount that may be brought forward is 5 per cent of the year's appropriation on operating items 01–29, apart from item 24, or the sum of the last two years' appropriations under the headword 'may be brought forward'. See annual circular R-2 for more detailed information about how unutilised appropriations can be brought forward.

Explanation of debt authorisations by revenue chapter

Chapter and item	Revenue overrun or underrun (-)	Taken to revenue by others in accordance with debt authorisations (+)	Revenue overrun/ underrun (-) in accordance with debt authorisations
4602 86 Relinquishment of gain, administrative fines, etc.	-196,000,000	192,434,451	-3,565,549
5580 70 Contributions from supervised entities	-513,038,000	512,667,723	-370,277

Explanation of use of budget authorisations

Debit authorisations received

In a letter dated 21 March 2000, the Ministry of Finance authorised Finanstilsynet (then Kredittilsynet) to consider and make decisions in cases concerning the government's liability involving amounts below NOK 250,000. Other conditions are set out in the Ministry of Justice and Public Security's circular G-01/2017 'Compensation claims against the government – charges to budget chapter 471, item 71 and waiver of objections against time-barred claims'. Finanstilsynet did not make use of this authorisation in 2023.

Headword 'may be brought forward'

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

Debit authorisations granted (entered by others)

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

Authorisation to overstep operating appropriations against corresponding revenue overruns

Finanstilsynet received no revenue overrun authorisation in 2023.

Possible amount to be brought forward

The expenditure underrun in item 01 is calculated at NOK 6,879,172. This figure is below the limit for transfer of 5 per cent of the year's appropriation in item 01, and the entire amount is deemed possible to bring forward to 2024. The amount earmarked for the digitalisation project in item 01 was fully utilised in 2023. The entire unutilised appropriation of NOK 11,624,918 in item 45 may be brought forward upon application.

Table 12: Statement of reporting by natural classification as at 31 Dec.	Note	2023	2022
Operating revenues reported to the appropriation account			
Receipts of fees	1	10,210,000	13,542,000
Total receipts from operations		10,210,000	13,542,000
Operating expenses reported to the appropriation account			
Disbursements to salaries	2	374,121,046	323,960,091
Other disbursements to operations	3	156,393,954	141,566,324
Total disbursements to operations		530,515,000	465,526,415
Net reported operating expenses		520,305,000	451,984,415
Investment and financial revenues reported to the appropriation account			
Receipts of financial revenues		0	0
Total investment and financial revenues		0	0
Investment and financial expenses reported to the appropriation account			
Disbursement to investments	4	2,911,910	2,448,267
Total investment and financial expenses		2,911,910	2,448,267
Net reported investment and financial expenses		2,911,910	2,448,267
Collection activities and other transfers to central government			
Receipts of taxes, charges, fees etc.	5	30,000	634,539
Total collection activities and other transfers to central government		30,000	634,539
Revenues and expenses reported on central government chapter			
Employer's contribution account 1986 (ref. chap. 5700, revenues)		48,650,264	39,809,890
VAT netting arrangement account 1987 (ref. chap. 1633, expenses)		24,059,705	21,458,312
Net expenses reported on central government chapter		-24,590,559	-18,351,577
Net reported to the appropriation account		498,596,351	435,446,566
Overview of outstanding accounts with the Treasury			
Asset and liabilities		2023	2022
Receivables from employees		0	11,667
Bank accounts with central government funds outside Norges Bank		2,842	1,385,671
Tax withholdings owed and other withholdings		-17,654,576	-14,844,134
Public charges owed		-182,812	-153,980
Pension premiums allocated to the Norwegian Public Service Pension Fund		-18,623,737	-11,944,551
Total outstanding account with the Treasury	6	-36,458,283	-25,545,328

Note 1 Receipts from operations	31 Dec. 2023	31 Dec. 2022
<i>Receipts from fees and charges</i>		
Prospectus control fees	10,090,000	13,332,000
Fees from payment and e-money institutions	120,000	210,000
Total receipts from fees and charges	10,210,000	13,542,000
Total receipts from operations	10,210,000	13,542,000

Note 2 Disbursements to salaries	31 Dec. 2023	31 Dec. 2022
Salaries	293,179,724	268,518,041
Employer's contribution	48,650,264	39,756,783
Pension expenses*	34,001,584	15,790,251
Sickness benefit and other refunds (-)	-8,389,572	-6,489,745
Other benefits	6,679,046	6,384,761
Total disbursements to salaries	374,121,046	323,960,091
Number of FTEs worked	300	288

* The premium rate for the employer's share was 11.2 per cent in 2023 (employer's share of the pension premium / pensionable income in 2023 reported to the Norwegian Public Service Pension Fund). For the 2022 accounting year, the premium rate was 11.4 per cent.

The number of FTEs worked has been calculated in accordance with personnel notification 2019-13: Definition of FTEs worked (Lovdata.no).

Note 3 Other disbursements to operations	31 Dec. 2023	31 Dec. 2022
Rent	21,556,588	20,237,144
Maintenance and conversion of rented premises	545,748	855,639
Other expenses on operation of property and premises	8,061,601	11,404,957
Repairs and maintenance of machinery, equipment etc.	518,850	1,392,546
Minor equipment procurements	721,783	802,948
Lease of machinery, furniture etc.	17,900,695	17,306,435
Purchases of consultancy services	41,179,501	29,887,947
Purchases of other external services	28,116,876	28,042,775
Travel and per diem	3,754,611	2,133,553
Other operating expenses	34,037,701	29,502,381
Total other disbursements to operations	156,393,954	141,566,324

Note 4 Disbursed to investments and purchase of equities	31 Dec. 2023	31 Dec. 2022
<i>Disbursed to investments</i>		
Operating movable property, furniture, tools etc.	2,911,910	2,448,267
Total disbursed to investments	2,911,910	2,448,267

Note 5 Collection activity and other transfers to central government	31 Dec. 2023	31 Dec. 2022
Occasional and other income (central government account 530929)	30,000	634,539
Total collection activity and other transfers to central government	30,000	634,539

Note 6 Final and preliminary account with the Treasury

Part A Difference between final and preliminary account with the Treasury		31 Dec. 2023 Specification of <i>booked</i> account with the Treasury	31 Dec. 2023 Specification of <i>reported</i> account with the Treasury	Difference
Current assets	Accounts receivable	2	0	2
	Other receivables	0	0	0
	Bank deposits, cash etc.	2,842	2,842	0
	Total	2,844	2,842	2
Short-term liabilities	Accounts payable	-21,758,742	0	-21,758,742
	Tax deductions owed	-17,654,576	-18,720,654	1,066,078
	Public charges owed	-185,768	-182,812	-2,956
	Other short-term liabilities	-2,842	-17,560,501	17,557,659
	Total	-39,601,928	-36,463,967	-3,137,961
Total		-39,599,084	-36,461,125	-3,137,959

Finanstilsynet

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

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

