

FEDERAL RESERVE SYSTEM

Nordea Bank AB (publ)
Stockholm, Sweden

Order Approving Establishment of a Branch

Nordea Bank AB (publ) (“Nordea Bank Sweden”), Stockholm, Sweden, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 7(d) of the IBA¹ to retain the state-licensed branch in New York, New York, of Nordea Bank’s former wholly-owned subsidiary bank, Nordea Bank Finland plc (“Nordea Bank Finland”), Helsinki, Finland, following consummation of an internal reorganization of Nordea Bank Sweden and its consolidated subsidiaries (“Nordea Group”). The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in New York, New York (*New York Post*, December 1, 2015). The time for submitting comments has expired, and the Board has considered all comments received.

Nordea Bank Sweden is the parent company and top-tier banking organization of Nordea Group. Sampo plc (“Sampo”), a Finnish company, owns 21.3 percent of Nordea Bank Sweden’s outstanding shares and is the largest individual shareholder of Nordea Bank Sweden.² No other shareholder owns more than 5 percent of the shares of Nordea Bank Sweden.

¹ 12 U.S.C. § 3105(d).

² Sampo has two director interlocks with Nordea Bank Sweden and is considered to control Nordea Bank Sweden for purposes of the Bank Holding Company Act (“BHC

Nordea Bank Sweden proposes to retain the former New York branch of Nordea Bank Finland following an internal reorganization in which Nordea Bank Sweden's bank subsidiaries in Denmark, Finland, and Norway ("Nordic Bank Subsidiaries") were converted into branches of Nordea Bank Sweden by way of mergers between Nordea Bank Sweden and each of the Nordic Bank Subsidiaries.³ Following the mergers, the banking business will be conducted through branches of Nordea Bank Sweden in Denmark, Finland, Norway, and the United States.

Nordea Bank Sweden has consolidated assets of approximately \$739 billion.⁴ It is an operating bank that engages directly in banking activities usual in connection with the business of banking in the countries in which it operates, including by offering retail and wholesale banking products to customers inside and outside of Sweden. In the United States, Nordea Bank Sweden operates the former New York branch of Nordea Bank Finland ("NY Branch"). Nordea Bank Sweden indirectly owns Nordea Investment Management North America, Inc., a U.S. asset management company incorporated in Delaware and registered with the U.S. Securities and Exchange Commission. Nordea Bank Sweden is a qualifying foreign banking organization under

Act"). 12 U.S.C. § 1841 *et seq.* Nordea Bank Sweden and Sampo have each committed to notify the Board if Sampo's ownership interest in Nordea Bank Sweden increases to more than 21.3 percent. The Finanssivalvota Finansinspektionen, the Finnish supervisory authority, is the primary supervisor of Sampo, which is regarded as a financial conglomerate under the European Union's Financial Conglomerates Directive. Sampo's holding of Nordea Bank Sweden is consistent with section 4 of the BHC Act.

³ On November 18, 2016, the Board's General Counsel approved, under delegated authority, a request pursuant to section 211.24(a)(6) of the Board's Regulation K from Nordea Bank Sweden to proceed with the proposed internal reorganization prior to Board action on Nordea Bank Sweden's application to establish a branch in the United States, but subject to the Board's action on the application. Nordea Bank Sweden executed its internal reorganization on January 2, 2017. These mergers are structured as transfers of all the assets and liabilities of the Nordic Bank Subsidiaries to Nordea Bank Sweden.

⁴ Asset data are as of September 30, 2016.

Regulation K.⁵ Since the merger of Nordea Bank Finland into Nordea Bank Sweden, the NY Branch has serviced Nordea Bank Sweden's customers doing business in the United States, Canada, and elsewhere. The branch also offers loans and other credit services, cash management services, and markets services including foreign exchange.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether (1) the foreign bank has furnished to the Board the information it needs to assess the application adequately, (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisor.⁶ The Board also considers additional standards as

⁵ 12 CFR 211.23(a). Sampo and Nordea Bank Sweden would also together meet the standards to be a qualifying foreign banking organization. Nordea Bank Sweden has committed to inform the Board if either Sampo no longer qualifies as a qualifying foreign banking organization or Sampo engages in activities or makes investments in the United States that are not permissible under regulations promulgated by the Board, including section 211.23(f) of Regulation K. Separately, Sampo has committed to provide, on an annual basis, a written statement indicating whether it is, directly or indirectly, engaged in activities in the United States for purposes of the Board's Regulation K.

⁶ 12 U.S.C. § 3105(d)(2); 12 CFR 211.24. Regulation K provides that a foreign bank is subject to consolidated home country supervision if the foreign bank is supervised or regulated in such a manner that its home country supervisors receive sufficient information on the worldwide operations of the foreign bank (including the relationships of the bank to any affiliate) to assess the foreign bank's overall financial condition and compliance with law and regulation. 12 CFR 211.24(c)(1)(ii). In assessing this standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which the home country supervisors: (i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide; (ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise; (iii) obtain information on the dealings with and relationships between the bank and its affiliates, both foreign and domestic; (iv) receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. No single factor is essential, and other elements may inform the Board's determination.

set forth in the IBA and Regulation K.⁷

In this case, the Finansinspektionen, the Swedish financial supervisory authority (“SFA”), remains the primary supervisor of Nordea Bank Sweden on a consolidated basis after the Nordea Group’s internal reorganization. The SFA also gained direct responsibility for supervising the branches that were formerly subsidiaries of Nordea Bank Sweden.

The SFA is primarily responsible for the supervision of Swedish banking organizations and has authority to regulate the establishment and activities of banking institutions and to approve their business expansions, both domestically and abroad.⁸ The SFA monitors Swedish banks’ consolidated financial condition, compliance with

⁷ 12 U.S.C. § 3105(d)(3)-(4) and 12 CFR 211.24(c)(2)-(3). The additional standards set forth in section 7 of the IBA and Regulation K include the following: (i) whether the bank’s home country supervisor has consented to the establishment of the office; (ii) the financial and managerial resources of the bank; (iii) whether the bank has procedures to combat money laundering, whether there is a legal regime in place in the home country to address money laundering, and whether the home country is participating in multilateral efforts to combat money laundering; (iv) whether the appropriate supervisors in the home country may share information on the bank’s operations with the Board; (v) whether the bank has provided the Board with adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA and other applicable federal banking statutes; (vi) whether the bank and its U.S. affiliates are in compliance with U.S. law; (vii) the needs of the community; and (viii) the bank’s record of operation. The Board also considers, in the case of a foreign bank that presents a risk to the stability of the United States, whether the home country of the bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk. 12 U.S.C. § 3105(d)(3)(E).

⁸ Sweden is a European Union (“EU”) member state but is not a euro area country and does not currently participate in the Single Supervisory Mechanism (“SSM”) under the supervision of the European Central Bank (“ECB”). For the EU member countries that are in the euro area and non-euro area members that choose to participate, the ECB is now the competent authority for the supervision of all large internationally active banking organizations under the SSM. As Sweden has, for the time being, decided not to participate in the SSM, no supervisory responsibilities have been transferred from the SFA to the ECB.

laws and regulations, and internal controls through a combination of on-site examinations, off-site surveillance through the review of required regulatory reports and external audit reports, and interaction with senior management.

The SFA has established a risk classification system for determining an institution's supervision plan. The supervision includes an assessment of the institution's internal capital and liquidity and is supplemented by regular risk reviews, which include credit risk, market risk, operational risk, and liquidity risk. In addition, the SFA conducts on-site and off-site reviews of Nordea Bank Sweden and its Swedish subsidiaries. Examination findings and areas of concern are discussed with senior management of the bank, and corrective actions taken by the bank are monitored by the SFA. The off-site monitoring system requires all Swedish banks to submit monthly, quarterly, semi-annual, or annual reports relating to asset quality, lending concentrations, capital adequacy, earnings, liquidity, affiliate transactions, off-balance sheet exposures, and ownership and control. In addition, banks must file annual externally audited consolidated financial statements. New reports are added to permit collection and analysis of information as new issues develop and the focus of SFA oversight is adjusted.

The SFA is represented in the Swedish Financial Stability Council, which was established to discuss issues relating to financial stability.⁹ The SFA has been participating in various European Banking Authority ("EBA") initiatives and has established a supervisory system for Swedish banks in line with the EU directives, including those related to capital adequacy and recovery and resolution frameworks. The SFA is also a full member of the Basel Committee of Banking Supervision, the Financial Stability Board, and global standard-setting bodies relating to securities and insurance businesses. Overall, the SFA's approach to supervision is risk-focused and its regulations and directives are intended to strengthen practices consistent with the Basel Core Principles for Effective Banking Supervision.

⁹ Other members of the council are the Swedish central bank, Sveriges Riksbank; the Swedish National Debt Office; and the Swedish Ministry of Finance.

While the SFA is the consolidated primary supervisor, other regulators supervise the activities of particular subsidiaries or activities of Swedish banks. Nordea Bank Sweden states that it has retained local subsidiaries in Denmark, Finland, and Norway after the reorganization for the purpose of making residential mortgage loans and issuing covered bonds. These entities will be supervised by the local competent authorities. In the EU, colleges of supervisors are the vehicles for the coordination of supervisory activities. Under EU law, colleges of supervisors have to be established for European Economic Area (“EEA”) banks with subsidiaries or significant branches in other EEA countries and, where relevant, may include supervisors from non-EEA countries. The EBA has issued regulatory and implementing technical standards on the functioning of colleges of supervisors.¹⁰ The SFA regularly coordinates supervision with these agencies and shares and receives data and information from these agencies.

The Finanssivalvonta Finansinspektionen, the Finnish financial supervisory authority (“Finnish FSA”), remains the primary supervisor of Sampo on a consolidated basis following the Nordea Group’s internal reorganization. The Finnish FSA is primarily responsible for the supervision of Finnish banking and insurance organizations. Sampo, which is headquartered in Finland and owns shares in companies engaged in banking, fund management, and insurance in several countries in the EEA, is considered a financial conglomerate under the EU’s Financial Conglomerates Directive. Finnish regulations for supervising financial conglomerates are based on the directives issued by the European Parliament and the European Council. The main focus of conglomerate supervision is on capital adequacy, large common exposures, intra-conglomerate exposures, other similar business relationships, and internal risk management. The Finnish FSA requires reports on capital adequacy and on risk concentrations as they relate to single, or a group of related, counterparties or specific products. The Finnish FSA also requires reports on all significant inter-group

¹⁰ In 2008, the SFA and the national supervisory authorities of countries including Denmark, Norway, Finland, and Luxembourg entered into a Multilateral Cooperation and Coordination Agreement for the supervision of Nordea Bank Sweden and its subsidiaries and significant branches.

transactions of regulated entities within the financial conglomerate. Transactions between Sampo and Nordea Bank Sweden are required to be on an arms-length basis. Nordea Bank Sweden's primary supervisor, the SFA, and other national competent authorities from jurisdictions in which Sampo has operations participate as host country supervisors in the Sampo financial conglomerate supervisory college.

Based on the facts of record and the supervisory system that the SFA and the Finnish FSA have in place, the Board has determined that Nordea Bank Sweden and Sampo are subject to comprehensive supervision on a consolidated basis

The Board has also considered the financial and managerial and other applicable factors in the case. The SFA and Finnish FSA have no objections to the establishment of the proposed branch. Sweden's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Basel Accord"). Nordea Bank Sweden's capital is in excess of the minimum levels that would be required by the Basel Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Nordea Bank Sweden are considered consistent with approval, and Nordea Bank Sweden appears to have the experience and capacity to support the proposed branch. In addition, Nordea Bank Sweden has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its operations in general.

Sweden is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering and international terrorism. In accordance with these recommendations, Sweden has enacted laws and regulations to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in Sweden, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Nordea Bank Sweden has policies and procedures to comply with these laws and regulations, and Nordea Bank Sweden's compliance with applicable laws and regulations is monitored by governmental entities responsible for anti-money-laundering compliance.

Nordea Bank Sweden has committed to make available to the Board such information on its operations and on those of any of its affiliates, including Sampo, that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Nordea Bank Sweden has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In light of these commitments and other facts of record, it has been determined that Nordea Bank Sweden has provided adequate assurances of access to any necessary information that the Board may request.

Section 173 of the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the IBA to provide that the Board may consider, for a foreign bank that presents a risk to the stability of the United States financial system, whether the home country of the foreign bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk.¹¹ Information relevant to the standard regarding risk to the stability of the United States financial system has also been reviewed. In particular, consideration has been given to (1) the size and scope of Nordea Bank Sweden's activities, including the type of activities it proposes to conduct in the United States and the potential for these activities to increase or transmit financial instability, and (2) the framework in place for supervising Nordea Bank Sweden in its home jurisdiction. Based on these and other factors, financial stability considerations for this proposal are consistent with approval.

On the basis of all the facts of record, and subject to the commitments made by Nordea Bank Sweden as well as the terms and conditions set forth in this Order, Nordea Bank Sweden's application to establish a branch in New York is hereby approved. Should any restrictions on access to information on the operations or activities

¹¹ Pub. L. No. 111-203, 124 Stat. 1376, 1440 (2010), codified at 12 U.S.C. § 3105(d)(3)(E).

of Nordea Bank Sweden and its affiliates, including Sampo, subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Nordea Bank Sweden and its affiliates, including Sampo, with applicable federal statutes, the Board may require termination of any of Nordea Bank Sweden's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Nordea Bank Sweden with the commitments made in connection with this application and with the conditions in this Order.¹²

By order of the Board of Governors,¹³ effective April 13, 2017.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

¹² The Board's authority to approve the establishment of a branch parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York and its agent, the New York State Department of Financial Services, to license the proposed branch of Nordea Bank Sweden in accordance with any terms and conditions that the New York State Department of Financial Services may impose. The New York State Department of Financial Services approved Nordea Bank Sweden's application to establish the branch on November 29, 2016.

¹³ Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Powell and Brainard.