

FEDERAL RESERVE SYSTEM

Nordea Bank Abp
Helsinki, Finland

Order Approving Establishment of a Branch

Nordea Bank Abp (“Nordea Finland”), Helsinki, Finland, 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 (“Existing NY Branch”), of Nordea Bank AB (publ) (“Nordea Bank Sweden”), Stockholm, Sweden, following consummation of the merger of Nordea Bank Sweden with and into Nordea Finland (the “Merger”), with Nordea Finland as the surviving entity. 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*, January 22, 2018). The time for submitting comments has expired, and the Board has considered all comments received.

Nordea Finland will be the top-tier parent company of the Nordea Group, a banking organization that will be comprised of Nordea Finland and its consolidated subsidiaries, following consummation of the Merger. Nordea Finland was established by Nordea Bank Sweden for the purpose of changing the domicile of the Nordea Group’s parent company from Sweden to Finland. Nordea Finland currently is wholly owned by Nordea Bank Sweden. Nordea Finland was granted a banking license by the European

¹ 12 U.S.C. § 3105(d).

Central Bank (“ECB”) on June 26, 2018. Nordea Finland plans to merge with Nordea Bank Sweden, with Nordea Finland as the surviving entity, in the fourth quarter of 2018.² Nordea Finland proposes to retain Nordea Bank Sweden’s Existing NY Branch (“Proposed NY Branch”) following consummation of the Merger.

Sampo plc (“Sampo”), Helsinki, Finland, owns 21.3 percent of Nordea Bank Sweden’s outstanding shares and is the largest shareholder of Nordea Bank Sweden. No other shareholder owns more than 5 percent of the shares of Nordea Bank Sweden. Sampo will own a corresponding percentage of Nordea Finland’s shares following consummation of the Merger.³

Nordea Bank Sweden has consolidated assets of approximately \$698 billion.⁴ It is an operating bank that engages directly in 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 the Nordic region (Finland, Sweden, Norway, and Denmark). In the United States, Nordea Bank Sweden operates the Existing NY Branch and 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, and following the Merger, Nordea Finland will be, a qualifying foreign

² The Merger will be structured as a transfer of all the assets and liabilities of Nordea Bank Sweden to Nordea Finland. Pursuant to Finnish law, upon consummation of the Merger, the current shareholders of Nordea Bank Sweden will become the shareholders of Nordea Finland without any change in their level of ownership.

³ Sampo has two director interlocks with Nordea Bank Sweden and, upon consummation of the Merger, would be considered to control Nordea Finland for purposes of the Bank Holding Company Act (“BHC Act”). 12 U.S.C. § 1841 *et seq.* Nordea Finland and Sampo have each committed to notify the Board if Sampo’s ownership interest in Nordea Finland increases to more than 21.3 percent. Sampo’s holding of Nordea Finland would be consistent with section 4 of the BHC Act.

⁴ Asset data are as of December 31, 2017.

banking organization under Regulation K.⁵ The Existing NY Branch services Nordea Bank Sweden's customers doing business in the United States. It also offers loans, other credit services, and cash management services, and it markets services including foreign exchange. Following the Merger, the Proposed NY Branch will carry on the business of the Existing NY Branch in the same manner as the business currently is conducted.

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

⁵ 12 CFR 211.23(a). Sampo and Nordea Finland together also would meet the standards to be a qualifying foreign banking organization. Nordea Finland 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 as defined in the Board's Regulation K.

country supervisor.⁶ The Board also considers additional standards set forth in the IBA and Regulation K.⁷

In this case, Nordea Finland will be subject to supervision by the ECB and the Finanssivalvota (“Finnish FSA”) acting through the Single Supervisory Mechanism (“SSM”) because the total value of its assets will exceed €30 billion. The Board has previously determined that the ECB, acting through the SSM, exercises comprehensive supervision over certain European banks.⁸ The SSM is a system of financial supervision

⁶ 12 U.S.C. § 3105(d)(2); 12 CFR 211.24. In assessing the supervision 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.

⁷ 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3). These standards include whether the bank’s home country supervisor has consented to the establishment of the office; the financial and managerial resources of the bank, including the bank’s experience and capacity to engage in international banking; 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; whether the appropriate supervisors in the home country may share information on the bank’s operations with the Board; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; and the bank’s record of operation. In the case of a foreign bank that presents a risk to the stability of the United States, the Board also may take into account, to the extent appropriate, 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. 12 U.S.C. § 3105(d)(3)(E).

⁸ See, e.g., Deutsche Pfandbriefbank AG, FRB Order 2018-01 (January 3, 2018); ING Bank N.V., FRB Order 2017-27 (October 20, 2017); Board letter to Rita Milazzo dated August 1, 2017 (comprehensive consolidated supervision for Banco Bilbao Vizcaya Argentaria, S.A.); Board letter to Andrea Tokheim dated July 24, 2017 (comprehensive

composed of the ECB and the national competent authorities of the participating European Union Member States in which specific tasks are distributed between the ECB and the national competent authority. Under the SSM, the ECB has direct prudential supervisory responsibility for Nordea Finland, while the Finnish FSA, as the relevant national competent authority for Nordea Finland, retains supervisory authority over all other areas, including consumer protection and the prevention of money laundering and terrorist financing. The methodologies and standards that underpin the day-to-day supervision of large European Union banking organizations by the ECB under the SSM regulatory framework are aimed at achieving a consistent supervisory approach across the European Union. The system of supervision applied to large banks within the European Union has not changed materially since it was last considered by the Board.

The Finnish FSA will remain the primary national competent authority for Nordea Finland and the primary supervisor of Sampo on a consolidated basis following consummation of the Merger. 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 European Economic Area, is considered a financial conglomerate under the EU's Financial Conglomerates Directive. The Board has previously determined that Sampo is subject to comprehensive supervision on a consolidated basis by the Finnish FSA.⁹ Sampo remains subject to supervision by the Finnish FSA on substantially the same terms and conditions.

Based on all the facts of record, including the above information, it has been determined that Nordea Finland is subject to comprehensive supervision on a consolidated basis by the ECB and the Finnish FSA acting through the SSM and that

consolidated supervision for Bank of Ireland Group plc); and Unione di Banche Italiane, S.p.A., FRB Order 2016-01 (January 19, 2016).

⁹ Nordea Bank AB (publ), FRB Order 2017-11 (April 13, 2017).

Sampo is subject to comprehensive supervision on a consolidated basis by the Finnish FSA.

The Board has also considered the financial and managerial and other applicable factors in the case. The ECB has no objection to the establishment of the proposed branch. The ECB's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Basel Accord"). Nordea Bank Sweden's capital is, and following the Merger, Nordea Finland's will be, 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 Finland are considered consistent with approval, and Nordea Finland 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, and these will be continued at Nordea Finland following the Merger.

Finland 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 and European Union money laundering directives, Finland has enacted laws and regulations to deter money laundering, terrorist financing, and other illicit activities. Banks are subject to know-your-customer requirements and must consider whether a transaction is unusual for a customer. Banks report suspicious transactions to a special money laundering clearinghouse that is part of Finland's National Bureau of Investigation. Failure to report a suspicious transaction can result in a fine or imprisonment for up to six months. The Finnish FSA is responsible for enforcing compliance with Finland's anti-money-laundering laws and regulations, and Finnish banks are expected to have written anti-money-laundering policies and procedures. Nordea Bank Sweden has such policies and procedures to comply with applicable anti-money-laundering and counterterrorist financing laws and regulations, and these policies will remain in effect at Nordea Finland

following consummation of the Merger. Nordea Finland's compliance with applicable laws and regulations will be monitored by governmental entities responsible for anti-money-laundering compliance.

Nordea Finland 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 BHC Act, 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 Finland 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 Finland 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.¹⁰ 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 Finland'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 Finland in its home jurisdiction. Taking into account these considerations, it has been determined that the proposed Merger would result in a banking organization that would not add any new activities or financial

¹⁰ 12 U.S.C. § 3105(d)(3)(E).

stability risk to the United States financial system. 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 Finland as well as the terms and conditions set forth in this Order, Nordea Finland's application to establish a branch in New York is hereby approved by the Director of the Division of Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.¹¹ Should any restrictions on access to information on the operations or activities of Nordea Finland and its affiliates, including Sampo, subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Nordea Finland and its affiliates, including Sampo, with applicable federal statutes, the Board may require termination of any of Nordea Finland's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Nordea Finland with the commitments made in connection with this application and with the conditions in this Order.¹² The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective August 3, 2018.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

¹¹ 12 CFR 265.7(d)(12).

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 Finland in accordance with any terms and conditions that the New York State Department of Financial Services may impose.