Act on Financing Activity and Financial Institutions (Financial Institutions Act)

Chapter 1. General provisions

Section 1-1 Scope
This Act covers financing activity and financial institutions unless otherwise stated in a provision set out in or issued pursuant to this Act.

Section 1-2 Financing activity
"Financing activity" means the granting, negotiating, or furnishing of guarantees for credit or otherwise participating in the financing of activity other than one's own, except for

1. investment of funds with financial institutions, but not the intermediation of such investments or other receipt of others' funds for reinvestment with financial institutions
2. acquisition of shares or other proprietary interests
3. credit provided by the seller of a good or service
4. leasing of real property or chattels which does not constitute financial leasing
5. loans or loan guarantees to one's employees
6. isolated cases of financing.
7. activity of undertakings regulated by the Act relating to E-money Institutions.

In cases of doubt the King decides whether a given activity falls within this Act.

Section 1-3 Financial institutions
"Financial institutions" means companies, undertakings or other institutions which carry on financing activity, except

1. public credit institutions and funds
2. public trustee's offices and foundations whose primary purpose is not to engage in commercial activity
3. management companies pursuant to the Securities Funds Act (No. 52 of 12 June 1981)
4. investment firms pursuant to Securities Trading Act (No. 79 of 19 June 1997)
5. any undertaking which confines its financing activity exclusively to undertakings in which it has a substantial proprietary interest, it being understood that it does not itself raise or furnish guarantees for loans other than bearer bond loans or loans from credit institutions, foreign lenders, or firms in which the undertaking has a substantial
proprietary interest

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The King may in special cases also exclude other financial institutions or groups of financial institutions from one or more provisions of the Act, and may attach conditions to such exclusion.

The King may decide that undertakings which under the provisions of this section are or will be excluded from certain provisions of this Act shall be subject to supervision by Kredittilsynet (The Financial Supervisory Authority of Norway).

Section 1-4 Right to carry on financing activity
Financing activity may only be carried on by:

1. savings banks and commercial banks
2. companies or other institutions which fall within the Insurance Activity Act (No. 39 of 10 June 1989)
3. finance companies and mortgage credit institutions authorised under chapter 3.
4. credit institutions, including such institutions' branches established in Norway, which have a head office, which are authorised to carry on business as credit institutions and which are subject to the supervision of authorities of other states encompassed by the European Economic Area. Such an institution may, in addition to carrying on financing activity, receive deposits from an unrestricted range of depositors and use the term "bank", "savings bank" or the like in its name or when describing its activity in Norway, provided it is authorised to do so in the state in which it has received authorisation to carry on business as a credit institution. The King may lay down further rules for the activity of credit institutions mentioned above, including subsidiaries of such credit institutions.
5. Branches of credit institutions with their head office in a state not encompassed by the European Economic Area, with authorisation to carry on financing activity in Norway.

This section does not apply to the intermediation of loans or to undertakings as mentioned in section 1-3 first paragraph no.1 to 5.

Section 1-5 Other definitions

1. "Mortgage credit institutions" means credit institutions which are not banks.

2. "Loan intermediaries" means undertakings whose financing activity consists exclusively in intermediating loans. Such intermediation is activity which consists in organised or professional intermediation of loans or guarantees for loans.

3. “Credit institutions” means undertakings whose activity consists in receiving deposits or other repayable funds from the general public and in making loans for own account.
Chapter 2. Financial institutions

Section 2-1 Scope
The provisions of this chapter apply to financial institutions. A company or other institution that is the parent company in a financial group or the parent company in part of such group is also regarded as a financial institution.

I - Ownership structure, etc.

Section 2-2 Acquisition of holdings in financial institutions
The acquisition of qualifying holdings in financial institutions may only take place in accordance with authorisation given by the King pursuant to the rules of this section. In this section “qualifying holding” means a holding which represents 10 per cent or more of the capital or voting rights in a financial institution or which makes it possible to exercise significant influence on the management of the institution and its business.

The same applies to acquisitions whereby a qualifying holding reaches or exceeds 20, 25, 33 or 50 per cent, respectively, of the capital or voting rights in the institution, and to any other acquisitions which provide controlling influence as mentioned in the Private Limited Companies Act section 1-3 and the Public Limited Companies Act section 1-3. Any person proposing to dispose of a qualifying holding or to reduce such a holding such that it falls below a percentage threshold as mentioned shall notify Kredittilsynet accordingly.

An owner's overall holding is computed on the basis of the owner's holdings and in addition:

a) holdings which the owner is entitled by agreement to acquire on his own initiative,
b) holdings for which the owner is entitled by agreement to exercise voting rights, except voting rights proxy as mentioned in the Private Limited Companies Act section 5-2 and the Public Limited Companies Act section 5-2 when no compensation is given for such proxy, and
c) holdings which a person coming under section 2-6 owns or is entitled to acquire or to exercise voting rights for.

Agreements on acquisitions subject to authorisation under the financial legislation shall not be included for the purpose of calculating holdings as mentioned in the second paragraph, unless the agreement in question entails that:

a) the owners are entitled to compensation of more than 5 per cent of the market value of the shares at the time of the offering,
b) the owners are entitled to a loan from the offeror, or
c) the owners' right to exercise voting rights attached to the shares is restricted.

The application shall state the size of holding it is proposed to acquire. The King shall decide whether authorisation shall be given within three months of the date of receipt of a complete application. If the application does not contain the information that is necessary to decide whether authorisation shall be given, the deadline shall be reckoned from the date on which such information was received. If a decision has not been made by the expiry date, authorisation shall be deemed to have been given.
The King may lay down regulations to implement the provisions of this section, including rules concerning what information the application shall contain. The King may lay down regulations requiring financial institutions to notify Kredittilsynet of owners with qualifying holdings in the institution and requiring legal persons with qualifying holdings in a financial institution to inform Kredittilsynet of the names of the members of the board of directors and the management team.

Section 2-3 Assessment of fitness and propriety
The King may authorise the acquisition of holdings in a financial institution provided the acquirer is fit to exercise such influence on the financial institution as the overall holding computed in accordance with section 2-2 will provide a basis for. Where the acquisition applied for will give the acquirer a holding equal to or exceeding 25 per cent, authorisation shall be refused if the King is not convinced that the considerations mentioned in the second paragraph indicate that the acquisition should be completed. In addition, the King shall in such cases be convinced that the acquisition will not have undesirable effects on the functioning of the capital and credit markets. Conditions may be attached to the authorisation.

When assessing whether or not to give authorisation, the King shall attach special importance to whether:

a) the acquirer is regarded as a fit and proper owner based on previous conduct in business relationships, available financial resources and consideration for due and proper business activity,
b) the acquirer will be able to use his influence in the institution to achieve advantages for his own or affiliated activity, or indirectly exert influence on other commercial activity,
c) the acquisition is commensurate with the aim of a financial market based on competition between mutually independent institutions, or is likely to impair the institution's independence in relation to other commercial interests,
d) the ownership structure of the institution after the acquisition will impede effective supervision of the institution.

The King may lay down regulations establishing further guidelines for the exercise of discretionary power.

The King may withdraw authorisation where there are grounds for assuming that the holder has displayed such conduct that the premises for authorisation no longer exist.

Section 2-4 Repealed

Section 2-5 Underwriting of share issues
A financial institution may not underwrite a share issue if such underwriting could lead to acquisition of shares in excess of the limit prescribed by law for the institution's aggregate holdings in other companies.

Section 2-6 Consolidation of holdings
For the purpose of section 2-2, shares held or acquired by the following persons and institutions are considered equivalent to the shareholder's own shares:
a) the shareholder's spouse, under-age children or persons with whom the shareholder shares a household,
b) a company in which the shareholder exercises influence as mentioned in the Private Limited Companies Act section 1-3,
c) a company within the same group as the shareholder, and
d) someone with whom the shareholder must be assumed to be acting in concert in the exercise of rights accruing as owner of a financial instrument.

In cases of doubt the King decides whether shares not held by the shareholder shall be considered equivalent to the shareholder's own shares pursuant to the rules of the first paragraph.

Section 2-7 Cooperation agreements
Cooperation agreements between financial institutions which are not part of the same group shall be approved by the Ministry. This does not apply to agreements on individual projects or on technical or practical matters without a significant bearing on competitive conditions.

In this section "financial institutions" also means investment firms and estate agencies, as well as undertakings which manage securities funds.

In cases of doubt the King decides whether an agreement requires approval pursuant to the first paragraph.

Section 2-8 Posts in controlling bodies
Unless otherwise decided by the King, no person who is a member of a controlling body or has a senior position in a financial institution may concurrently be a member of a controlling body of another financial institution.

The King issues further rules on the implementation and variation of the prohibition of the first paragraph.

II - General rules for business

Section 2-9 Capital adequacy requirements
A financial institution shall maintain a satisfactory capital ratio at all times, and meet the minimum capital requirements prescribed in law or regulations issued by the King.

The King may issue regulations establishing rules for the method of calculation and other factors relating to the implementation of the capital requirement.

The King may issue regulations to the effect that a financial institution shall also maintain a minimum capital ratio in respect of off-balance sheet commitments.

Section 2-10 Restriction on exposure to a single customer
A financial institution's overall exposure to a single customer may at no time exceed a prudent level.

The King may issue regulations on the maximum total exposure to a single customer, on the method of calculation of on- and off-balance sheet items and other factors related to the
implementation of this requirement. The King may lay down rules regarding the application of a limit on total exposure to a single customer, also in the case of exposure to two or more customers when the balance of influence or financial relations between them may have a substantial bearing on the institution's assessment of their creditworthiness.

**Section 2-11  Duty to disclose information on prices and product packages**
A financial institution shall give customers information on interest rates, commissions and other prices of its services. It shall also state whether services which are part of a product package are offered individually, and shall state the price of each of the services that are included in the package.

Kredittilsynet may lay down further rules on the implementation of the disclosure duty set out in the first paragraph.

**Section 2-11a  Restriction on credit institutions’ use of information about guarantee schemes for marketing purposes**
The King may issue regulations restricting credit institutions’ right to use information about guarantee schemes in their marketing.

**Section 2-12  Duty to disclose information to borrowers**
A financial institution which offers or grants loans to borrowers other than financial institutions shall state in writing the borrowing conditions and the effective interest rate before the loan contract is concluded. Such information shall show the interest rate and interest-rate-adjustment conditions, other credit costs and repayment conditions.

The same information shall be given when interest rates or other borrowing conditions are changed. This applies to all current loans when the borrower so requests.

When information on credit conditions is given in brochures, advertisements or other written material for the marketing of loan facilities as referred to in the first paragraph, the effective interest rate shall also be stated.

The King may lay down further regulations for the performance of the disclosure duty, and for the calculation of effective interest rates.

The King may grant exception from the disclosure duty when there are special reasons for doing so.

The provisions of this section also apply to undertakings as mentioned in section 1-3 first paragraph no. 1 to 5. For loans granted in connection with purchases referred to in the Credit Purchases Act (No. 82 of 21 June 1985) section 3 subsection 1, the provisions on the disclosure duty in the Credit Purchases Act apply. As regards the disclosure duty in connection with the intermediation of loans, section 4-2 of this Act applies.

The King may decide that rules as mentioned in the preceding paragraphs shall also apply to agreements between other commercial providers of credit and consumers.
Section 2-12a Loan agreements with consumers etc.
Credit agreements between financial institutions and consumers shall be established in writing. The consumer shall be supplied with a copy of the agreement. The King may lay down further rules on the subject matter of such agreements. The King may also lay down rules on the debtor's right to settle a debt before the due date, on the debtor's rights in connection with change of lender and on the debtor's right to raise the same objections against the acquirer of a claim as against the seller.

The King may lay down rules concerning consumers' use of bills of exchange and other admissions of debt which in the event of transfer or mortgage may exclude or restrict the consumer's right to raise objections or counterclaims, and he may prohibit the use of such admissions of debt.

The King may decide that rules as mentioned in the first and second paragraphs shall also apply to agreements between other commercial lenders and consumers.

Section 2-13 Pricing, etc.
The King may issue regulations concerning the pricing of and charges for services provided by financial institutions.

Section 2-14 Product packages etc.
The King may issue regulations which restrict a financial institution's right to offer a service on condition that the customer concurrently procures another service from the same or another financial institution, or to accord a customer favourable terms on condition that this is done.

Section 2-15 Security for loans to employees, officers, etc.
A financial institution may not grant a loan or provide a guarantee in favour of the chairman of its committee of representatives\(^1\) or to a member of its board of directors, control committee or audit department, or to its employees or a company of which any of the persons mentioned is a liable member or member of the board of directors, unless the loan or guarantee is secured by

- a) a government, municipal or county municipal guarantee,
- b) pledge of a bank deposit, bearer bonds or bonds registered with the Central Securities Depository,
- c) pledge of life insurance policies up to their repurchase value,
- d) pledge of real property and chattels which may be mortgaged as accessories to real property,
- e) pledge of title documents pertaining to an innskuddsbolig\(^2\), which in the case of title documents to an obligasjonsleilighet\(^3\) shall not exceed the nominal value of the mortgage deed,
- f) pledge of ships or motor vehicles and construction machinery, agricultural movables and fishing gear mortgaged pursuant to the Mortgages and Pledges Act sections 3-8 to 3-10.

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\(^1\) or the equivalent body in a savings bank.

\(^2\) a flat whose purchase requires the tenant to buy a share in the property of which the flat forms part.

\(^3\) a flat whose rental requires the tenant to make a loan to the owner as security for which loan he receives a mortgage deed on the property.
The security offered must be approved as fully satisfactory by the control committee. In the case of ships, motor vehicles, construction machinery, agricultural movables and fishing gear, the value of the security offered must be within one half of their sale value. In the case of employees of the financial institution, except for the managing director (general manager), satisfactory security other than that mentioned in the first sentence may also be accepted if the borrower is to use the loan to acquire a dwelling.

The provision of the preceding paragraph does not apply to loans to or guarantees in favour of a company when the officer or employee in question represents the financial institution's interests in the company, and the company is either directly connected to the operation of the financial institution or carries on an activity that the financial institution itself can perform. Neither does the provision apply when the loan or the guarantee is made in order to ensure the redemption of claims that the financial institution has on the company, nor does it apply to loans that are made in accordance with borrowing arrangements that the financial institution offers to particular groups of customers on standardised terms. The board of directors shall see to it that statements of account showing security, if any, for loans and guarantees made in accordance with this paragraph are issued at the end of each quarter. The statements shall be submitted to the control committee and the auditor.

A financial institution may not make loans or guarantees against surety or endorsement by the officers and employees mentioned in the first paragraph.

The provisions of this section do not apply to pure commercial bills or to loans made before the person in question was elected or appointed to a position as mentioned. Neither do they apply to elected members of a local board of directors of a regional or local branch or control committee when a loan, guarantee, endorsement or other surety is treated as a loan by the head office.

Kredittilsynet may, when special reasons so indicate, make exceptions to the provision of the first paragraph where a financial institution issues a loan or guarantee in favour of a company of whose board of directors the chairman of the financial institution's committee of representatives or member of the financial institution's board of directors is a member. Conditions may be attached to such exception, inter alia in cases concerning the financial institution's treatment of such loans and guarantees.

The Private Limited Companies Act sections 8-7 to 8-9 and the Public Limited Companies Act sections 8-7 to 8-9 do not apply to financial institutions. The Private Limited Companies Act section 8-10 and the Public Limited Companies Act sections 8-10 do not apply to transactions carried out as part of financial institutions' ordinary business.

**Section 2-16 Credit institutions' holdings in undertakings engaged in other activity**

A credit institution's qualifying holding in an undertaking which carries on other activity shall not exceed 15 per cent of the credit institution's own funds. A credit institution's aggregate qualifying holdings in undertakings engaged in other activity shall not exceed 60 per cent of the credit institution's own funds.

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4 or the equivalent body in a savings bank.
"Qualifying holding" means a holding which directly or indirectly represents 10 per cent or more of the capital or votes in the undertaking or which otherwise makes it possible to exercise substantial influence on the management of the undertaking. An "undertaking which carries on other activity" means an undertaking which is not a financial institution. Moreover, undertakings engaged in the management of investment funds, the provision of data processing services or other activity closely connected with banking are not regarded as carrying on other activity under this provision.

The limits set out in the first paragraph do not apply to shares or participations temporarily acquired as part of a financial reorganisation or rescue of an undertaking, as part of the ordinary underwriting of a share issue, or in an institution's own name for others' account. The same applies to shares or participations not held as long-term financial assets.

Section 2-17 Repealed
Section 2-17a Repealed

III - Conversion of financial institutions to private limited companies and public limited companies

Section 2-18 Scope
The provisions of part III of the present chapter (sections 2-18 to 2-24) apply to

1. mutual insurance companies,
2. loan associations,
3. savings banks.

The King may lay down regulations on conversion of financial institutions which fall within this section and on the activities of the foundation and the private limited company or companies, or the public limited company or companies, that are established.

Section 2-19 Resolutions on conversion
Resolutions on conversion must be approved by the King. The King may attach further conditions to approval, including conditions related to the articles of association of the converted institution and its parent company.

Conversion pursuant to part III of this chapter is effected by transfer of the financial institution's assets and liabilities in their entirety to a newly founded private limited company or public limited company.

In the event of conversion either

a) all the shares in the newly founded company shall be distributed to the financial institution's customers with the exception of shares that are issued in replacement of primary-capital-certificate capital or
b) a foundation shall be established which shall be the owner of all the shares in the private limited company or public limited company with the exception of shares that are issued in replacement of primary-capital-certificate capital.
Savings banks may nonetheless only be converted in accordance with the rules of the first sentence litra b).

Distribution of shares pursuant to the third paragraph litra a) shall be on the basis of the customer relationship. The conversion resolution may provide that customers entitled to shares below a stipulated threshold shall receive cash instead of shares. The King may lay down further rules on the distribution of shares. The rules in chapter 5 of the Securities Trading Act on prospectus requirements in connection with public offerings apply.

A private limited company or a public limited company may be established which is to be the parent company in a group that includes the private limited company or public limited company which is to continue the activity of the financial institution. In such cases shares to the foundation, the customers and the primary capital certificate holders may be distributed directly from the parent company.

In mutual insurance companies the conversion resolution shall be adopted by the general meeting unless such decision has been assigned to the committee of representatives pursuant to the articles of association. In the case of loan associations the resolution shall be adopted by committee of representatives. In the case of savings banks the resolution shall be adopted by committee of representatives. Such resolution requires a majority of at least two thirds of the votes cast. The resolution shall contain further provisions on the rights of owners of the primary-capital-certificate capital pursuant to section 2-21.

The mission of the foundation established in connection with the conversion of a savings bank shall be to own the converted savings bank or the latter’s parent company on a long-term, stable basis and it shall uphold the savings bank tradition.

Section 2-20 Effects of conversion
The licence for the activity of the financial institution shall be transferred to the private limited company or public limited company.

The institution's liabilities shall be transferred to the private limited company or public limited company. Creditors in respect of the transferred liabilities may not oppose the conversion resolution.

Such liability as the borrowers or policyholders may have for losses accrued by the institution may also be enforced after the conversion of the institution. The company or foundation may not impose new additional liability on borrowers or policyholders.

A company that is established through conversion of a mutual insurance company shall be regarded as a private limited insurance company or as a public limited insurance company under the provisions of the Insurance Activity Act (No. 39 of 10 June 1988).

Section 2-21 Primary-capital-certificate capital
The primary capital certificate holders shall receive a portion of the total number of shares that corresponds to the ratio of their portion of the primary capital to the equity capital at the time of conversion. The conversion resolution may provide that primary capital certificate holders with a portion of the primary capital that is below a stipulated threshold shall receive cash instead of shares.
Section 2-22  Organisation of the foundation

Unless otherwise provided in or pursuant to this act, the rules on commercial foundations of Act No. 11 of 23 May 1980 on Foundations etc. (cf. section 24 first paragraph no. 1) apply to the foundation.

The foundation's articles of association and amendments thereto shall be approved by Kredittilsynet which oversees the foundation's activities in accordance with the Financial Supervision Act (No. 1 of 7 December 1956). Expenditure on supervision shall be covered as provided in the same Act.

The articles of association shall contain rules stating:

1. the foundation’s name,
2. the municipality in which the foundation is registered,
3. the foundation’s purpose,
4. how the foundation’s assets may be invested,
5. the number of members of the board of directors, how the board of directors shall be formed and its power to co-opt,
6. what bodies, if any, the foundation shall have in addition to the general meeting and the board of directors, how such bodies are to be formed and their power to co-opt, and what authority and what functions they shall have,
7. the size of the basic capital,
8. election of members to the general meeting,
9. when the general meeting shall be held,
10. how the articles of association are to be changed,
11. application of annual profit and settlement of any annual loss,
12. dissolution of the foundation,
13. how the assets shall be disposed of upon dissolution.

The foundation's articles of association may contain provisions restricting the number of votes that may be cast by a participant at the general meeting. In a foundation established by conversion of a savings bank, an amendment to the articles of association requires a majority of at least two-thirds of all members entitled to attend the general meeting. Moreover, no member of the general meeting of such a foundation may be employed by or hold office with the converted savings bank or another company within the same group as the converted savings bank. Importance shall be attached to ensuring that the members reflect the converted institution’s customer structure and other stakeholder groups. In such foundations at least half of the members of the general meeting shall be elected by and from among the customers of the converted institution.

The board of directors of the foundation shall be elected by the general meeting. The composition of the board of directors shall reflect the composition of those groups which are entitled to vote at the general meeting.

At the general meeting a member is entitled to have the meeting consider any question which he notifies in writing to the board of directors no later than one week before the meeting is held.
An employee or officer of the foundation may not be an employee or officer of the converted institution or of any other company within the same group as the converted institution.

Section 2-23 The activity of the foundation
The foundation shall manage shares that were transferred to the foundation upon its establishment and moneys received as dividend on shares. The foundation may issue primary capital certificates for the purpose of buying shares in the company. The foundation may sell shares in the associated private limited company or public limited company, buy shares or primary capital certificates in other institutions, and manage its liquidity inter alia by depositing it with banks and by purchasing government securities.

Issuance of primary capital certificates requires Kreditilsyn’s consent. The King may lay down rules concerning such primary capital certificates.

In a foundation established by conversion of a savings bank, any decision to sell shares of the converted savings bank or its parent company shall be adopted by the general meeting with the same majority as that required for amendments to the articles of association. Any decision by the parent company of the converted savings bank to sell shares of the bank requires support from the foundation’s general meeting with the same majority as that required for amendments to the articles of association. A foundation established by conversion of a savings bank may raise loans up to a maximum of 10 per cent of the foundation’s capital excluding borrowings. Such foundations may only issue primary capital certificates or raise loans after support from the foundation’s general meeting with the same majority as that required for amendments to the articles of association. The rules of Act No. 1 of 24 May 1961 on Savings Banks section 28 apply pari passu to the distribution by such foundations of gifts for non-profit purposes. The articles of association may establish stricter rules than those following from the first and second sentence.

Section 2-24 Merger and winding up of the activity
The foundation can decide to wind up its activity. Winding up requires the approval of the King. The King may also in other cases decide that the activity shall be wound up if the necessary conditions for its activity substantially change. Any resolution to wind up or merge a foundation established by conversion of a savings bank requires support from the foundation’s general meeting with the same majority as that required for amendments to the articles of association.

In the case of winding up pursuant to the first paragraph, the King may determine that the assets shall be disposed of by other means than stipulated in the articles of association, including by distribution as mentioned in the fifth paragraph. In this connection special importance shall be attached to promoting the customers’ or the company's interests or the foundation's objective.

If the foundation, upon the merger of two financial institutions of which one has previously been converted pursuant to part III of this chapter, chooses to continue its activity, the range of persons entitled to vote shall be extended to encompass the entire merged financial institution.

In the event of merger of two financial institutions both of which have previously been converted pursuant to part III of this Act, the King shall decide whether the two institutions
shall be merged, unless one of the institutions adopts a resolution to wind up its activity. The rules of the first and second paragraphs and section 2-22 apply correspondingly.

In the event of merger or winding up pursuant to the above alternatives, the King may decide that the assets of the foundation shall be distributed among the converted institution's customers and the method by which this shall be carried out. The distribution shall take place according to the same principles as prescribed in section 2-19 third paragraph litra a.

The rules of this chapter do not apply to a foundation established by conversion of a savings bank if the foundation owns less than 10 per cent of the shares of the converted savings bank or, in the event, of the converted savings bank’s parent company.

IV - Bonds secured on a loan portfolio (covered bonds)

Section 2-25 Right to issue bonds secured on a loan portfolio
Mortgage credit institutions may issue bonds secured on a loan portfolio (cover assets) in accordance with the rules of this sub-chapter. Other financial institutions may not issue such bonds.

The term “bonds” denotes a loan or loans raised by issuing standardised bearer bonds.

Cover assets intended to back bonds secured on a loan portfolio may only include:

a) loans secured on a residential property (residential mortgages),
b) loans secured on other real estate (commercial mortgages),
c) loans to municipalities and loans guaranteed by a municipality or the State (public sector loans),
d) interest rate contracts or foreign exchange contracts connected with the loan portfolio or with issued bonds secured on the loan portfolio pursuant to further rules established by the King.

The bearer bonds shall state that the bond issue is secured and that the security refers to a residential mortgage, commercial mortgage or public sector loan.

The King may make regulations that preclude one or more of the types of loan mentioned in the third paragraph from inclusion in the same loan portfolio as other types of loan mentioned in the third paragraph, and may establish further rules in this respect.

Section 2-26 Issuance of bonds secured on a loan portfolio
A mortgage credit institution may issue bonds secured on a loan portfolio where the institution’s mission as laid down in its articles of association is:

a) to grant or acquire either residential mortgages, commercial mortgages or public sector loans, and
b) to finance its lending business primarily by issuing bonds secured on the loan portfolio or certain parts of that portfolio.

The mortgage credit institution shall notify Kredittilsynet not later than 30 days prior to the first time it issues bonds secured on a loan portfolio.
Kredittilsynet may also authorise mortgage credit institutions which have amended their articles of association in line with the first paragraph, but which have yet to conform their business to the amendment, to engage in the business of issuing bonds secured on a loan portfolio. Such business shall be kept separate from the institution’s other business. Kredittilsynet may set conditions to secure such separation.

Where consideration for the institution’s financial strength or creditors so indicates, Kredittilsynet may issue an injunction against the issuance of bonds secured on a loan portfolio.

Section 2-27 Requirements on use of the proceeds from the bond issue
Proceeds from the bond issue shall be used to grant or acquire loans for inclusion in the cover assets, or to redeem previously issued bonds.

The institution shall ensure that no significant divergence arises between future receipts and payments or between the redemption conditions for, respectively, the bonds and loans granted and acquired. This shall not however prevent the institution from issuing bonds with a maturity shorter than that of granted and acquired loans provided this is done in accordance with an established refinancing programme which is prudent seen in relation to the interest rate risk and liquidity risk incurred by the institution as a result of such divergence.

Kredittilsynet may establish further rules on the implementation and delimitation of the provision of the first and second paragraph, including rules governing the calculation of, and limits to, divergence as mentioned in the second paragraph and the interest rate risk and liquidity risk such divergence entails.

Section 2-28 Requirements on the cover assets
The bond issue shall be secured by a first priority pledge on cover assets. The value of the cover assets shall at all times at least equal the residual value of the bond issue. Account shall be taken of interest rate contracts or foreign exchange contracts linked to the loan portfolio or to the bond issue. Loans to the same borrower and loans secured on the same collateral cannot be included in the cover assets at more than 5 per cent of the total value of the cover assets.

The following requirements as to security apply to loans to be included in the cover assets:

a) residential mortgages shall not exceed 60 per cent of the property’s value.

b) commercial mortgages shall not exceed 60 per cent of the property’s value.

Kredittilsynet may make regulations to supplement and implement the provisions of this section, including rules governing the calculation of the value of various types of real estate. Kredittilsynet may also make regulations providing for the inclusion of loans over and above the limit of 5 per cent of total cover assets in cases where additional collateral exists.

Section 2-29 Legal protection. Servicing
Cover assets enjoy legal protection under applicable rules. If the institution issuing the bonds is part of a financial group, legal protection can be secured under the Mortgages and Pledges
Act sections 4-1 and 4-2 by arranging for another company within the same group to hold the pledged assets on behalf of the bondholders.

The institution may enter into an agreement with another company within the same group or with another financial institution on servicing of the loans included in the cover assets.

The institution and the company servicing loans as mentioned in the second paragraph shall ensure that an updated register of the loans that are included in the cover assets exists at all times. The institution shall at such times as Kredittilsynet prescribes forward the information that is entered in the register to an accountant appointed by Kredittilsynet. Kredittilsynet may lay down further rules governing information which shall be included in the register, the appointment of the accountant, the accountant’s tasks and the accountant’s remuneration.

Section 2-30  Liquidity reserve
For each outstanding bond issue secured on a loan portfolio, the mortgage credit institution shall establish a separate liquidity reserve or calculate a contribution to a common liquidity reserve for all bonds which covers any risk of late payment of interest and instalments on loans included in the cover assets. Minimum requirements for the liquidity reserve shall be established in the institution’s articles of association.

The liquidity reserve shall be kept separate from other funds within the institution.

Section 2-31  Changing the cover assets
The institution is entitled to change the composition of the cover assets by replacing one or more loans with other loans provided the new loans have equivalent value as security for the bond issue.

The institution is also entitled to enter into agreement with a borrower regarding early repayment, and regarding changes in loan terms which are immaterial to the value of the loan portfolio.

The institution may invest funds corresponding to incomings from the loan portfolio in assets other than loans in accordance with further rules made by the King, provided that the pledged assets are of at least equivalent quality as the rest of the cover assets.

Section 2-32  Second priority pledge, execution proceedings etc.
The institution may not create a second priority pledge on the cover assets or parts of such assets.

Cover assets or parts of such assets may not be subject to execution, attachment or other enforcement proceedings in favour of particular creditors of the institution.

Section 2-33  Bankruptcy or public administration
In the event of the institution becoming bankrupt or being placed under public administration, the holders of a bond issue have right of priority to the cover assets for the said bond issue. This right of priority applies on a proportional basis and only to claims arising out of the bond issue in question.
Where the cover assets yield more than is required to meet the claims of the bondholders, the surplus shall be added to the gross estate.

The King may make regulations regarding timely payment to the bondholders of funds accruing from the cover assets after bankruptcy proceedings have been initiated against the institution or after the institution has been placed under public administration. The King may make regulations restricting the opportunities for the estate in bankruptcy or the administration board to dispose over loans and other assets included in the cover assets where this can be done without impairing other creditors’ ability to enforce their security interest. Such regulations may deviate from the rules of legislation on bankruptcy, public administration of financial institutions and enforcement.

V - Securitisation of loan portfolios

Section 2-34 Transfer of a loan portfolio to a special purpose vehicle existing for the purpose of securitisation

A financial institution which transfers a specified loan portfolio or other body of claims to a special purpose vehicle as mentioned in section 2-36 shall notify the transfer in advance to Kredittilsynet. The notification shall be accompanied by:

a) the special purpose vehicle’s articles of association,
b) an overview of the special purpose vehicle’s owners or, if it is a trust, an overview of the founders and how the trust is managed,
c) the agreement governing the management of the portfolio and
d) all agreements between the special purpose vehicle and the financial institution.

Section 2-35 The financial institution’s relationship to the special purpose vehicle etc.

The financial institution, undertakings within the same group as the financial institution, or undertakings in which the financial institution has substantial influence, may not:

1. assume liability vis-à-vis the special purpose vehicle, the bondholders or others in relation to the loan portfolio or body of claims. This does not however prevent such undertakings from
   a) establishing an agreement with the special purpose vehicle to service the portfolio in relation to the borrowers,
   b) extending credit to or furnishing a guarantee to the special purpose vehicle to ensure the fulfilment of its commitments to the bondholders. Such credit or guarantee must be established in the transfer agreement. The financial institution must deduct the amount in question from its own funds,
   c) entering into an agreement to repurchase the remaining part of the loan portfolio or body of claims from the special purpose vehicle on ordinary commercial terms provided the residual bond debt of the special purpose vehicle constitutes less than 10 per cent of the original bond issue. Such purchase shall be notified to Kredittilsynet in advance.

2. hold ownership interests in the special purpose vehicle, except where the articles of association of the special purpose vehicle link such ownership to individual bonds and the bonds have been acquired as part of ordinary market making activities in bonds as mentioned in the second paragraph, sub-paragraph 2. Similarly, trusts where
undertakings as mentioned in the introduction are represented in the management or
governing bodies may not hold ownership interests in the special purpose vehicle.

3. be represented in the management or governing bodies or otherwise have influence in
the special purpose vehicle.

A financial institution or undertaking within the same group may not:

1. be held liable for repayment of or redemption of bonds issued by the special purpose
vehicle, even where the special purpose vehicle is in default.

2. acquire bonds issued by the special purpose vehicle or otherwise assume risk in
relation to such bonds. Such undertakings may nonetheless acquire and dispose of
bonds issued by the special purpose vehicle as part of ordinary market making
activities in bonds quoted on a stock exchange or regulated market, but may at no
time own more than 5 per cent of the bonds in a single bond issue.

3. accept dividend or other payment from the special purpose vehicle or its owners
resulting from redemption of the bond debt, capital reduction in or winding up of the
special purpose vehicle.

Kredittilsynet may make further rules on the financial institution’s relationship to the special
purpose vehicle and to the loan portfolio which is to be or has been transferred.

If the requirements set in or pursuant to this section are not met, the financial institution shall
continue to hold own funds in respect of the risk attached to the loan portfolio or body of
claims in accordance with the rules on capital adequacy in the same way as if the loan
portfolio or body of claims had not been transferred.

Section 2-36 Special purpose vehicles existing for the purpose of securitisation

Provided the requirements of this section are met, special purpose vehicles for the purpose of
securitisation are exempt from the requirement to obtain a licence as a finance company or
mortgage company. Equally such special purpose vehicles are not subject to supervision,
capital adequacy requirements or other prudential requirements, or such other rules for
finance companies or mortgage credit institutions as are set out in or pursuant to law.

The special purpose vehicle shall have been established for the purpose of acquiring a
specified loan portfolio or body of claims which has been transferred in accordance with
section 2-34. The special purpose vehicle shall not engage in business other than that of
acquiring, owning and recovering the loan portfolio or body of claims.

The special purpose vehicle shall finance the acquisition of the loan portfolio or body of
claims by issuing bonds. The special purpose vehicle may not issue bonds on a continual
basis. Kredittilsynet may lay down regulations establishing further restrictions on the right to
issue bonds and rules on the issuance of several bond issues.

The special purpose vehicle shall be organised as a private limited company or public limited
company. Kredittilsynet may by individual decision authorise the special purpose vehicle to
opt for another mode of organisation.
The special purpose vehicle may not in its company name or other symbol employ a name or trademark that is likely to be confused with, or show association with, the transferor’s name or trademark.

The special purpose vehicle may only enter into an agreement on servicing of the portfolio with the transferring financial institution, a bank or similar financial institution as transferor.

**Section 2-37  Information to loan customers – closing date for refusing consent**

Prior to transferring a loan portfolio or other body of claims pursuant to section 2-34, a financial institution shall provide each borrower who is affected by the transfer with the identity of the acquirer of the loans, the identity of the servicing agent and details of what obligations and rights the financial institution, the special purpose vehicle and the servicing agent have and will acquire vis-à-vis the borrower.

The notice of transfer shall allow the borrower a reasonable period, which cannot be shorter than three weeks, to refuse to consent to the transfer. Where the financial institution’s customer is not a consumer, the borrower may waive in advance the right to refuse to consent. If the borrower does not make use of his right to refuse consent, the borrower will be considered to have consented to the transfer in conformity with the Financial Contracts Act section 45.

**Chapter 2a. Financial groups**

**Section 2a-1  Scope, etc.**

The provisions of this chapter apply to financial groups and their activities unless otherwise provided in provisions in or pursuant to law.

Further rules on financial groups, the parent company in a financial group or in a part thereof, and their activities, may be laid down in regulations issued by the King. The King may in regulations lay down further rules concerning which provisions shall apply to foreign undertakings.

**Section 2a-2  Definitions**

Definitions:

a) In this chapter "financial group" means groups in which at least one company, which is not the parent company, is a financial institution coming under section 1-4. "Financial group" also means a group established pursuant to section 2a-16 by an agreement between a savings bank and a mutual insurance company to the effect that the two undertakings shall have a joint board of directors.

b) In this chapter "mixed group" means a financial group including both a bank and an insurance company.

c) In this chapter "sub-group" means two or more companies between which a group relationship exists. The parent company in a financial group shall not form part of a sub-group.
d) In this chapter "financial institution" also means a company which is only the parent company in a financial group or in a part thereof and whose activity is confined to managing its holdings in the group.

e) In this chapter "owner undertaking" means an undertaking other than an undertaking as mentioned in section 1-4 and litra d) that is the parent company of a financial institution.

I - Licence

Section 2a-3 Licence requirement etc.
A financial institution which is a parent company as mentioned in section 2a-2 litra d), and a group as mentioned in section 2a-2 litra a) second sentence, may not be established without authorisation from the King.

Except when so authorised by the King, no-one may hold an ownership interest in a financial institution that is so large that a group relationship exists between the acquirer and the financial institution. Investment firms and estate agencies as well as undertakings which manage securities funds are also regarded as financial institutions. The taking over of a substantial part of the activity of a financial institution is also regarded as acquisition.

The decision on an application for authorisation to establish a financial institution in a financial group shall be communicated to the applicant within six months of receipt of the application. If the application does not contain the information required to decide whether authorisation should be granted, the time-limit shall be reckoned from the date that such information was received.

Except when so authorised by the King, a financial institution may not establish a subsidiary or branch abroad or acquire more than 10 per cent of the shares in a foreign financial institution.

Section 2-6 applies pari passu in case of establishment or acquisition pursuant to the second and fourth paragraphs.

The King may attach conditions to authorisation as mentioned under the first, second and fourth paragraphs. A condition may be attached to the effect that the activity of the group or undertakings which form part thereof are organised in a particular manner or are operated subject to certain constraints or that certain types of activity may not be engaged in. Other conditions may also be attached in accordance with the considerations that the legislation on financial institutions is intended to promote.

Section 2a-4 Application for licence
 Licence applications pursuant to section 2a-3 shall contain such information as is deemed to be of significance for processing the applications. In the event of the establishment or acquisition of a financial institution, the licence applicant shall enclose articles of association or draft articles of association and an operating schedule for the first three years of operation of the group. The operating schedule shall as a general rule contain:

a) information about the group's corporate structure after the establishment or acquisition,
b) an overview of the operating set-up and routines for the business and services that the various undertakings will offer,
c) information about the group's capital composition,
d) budgets for establishment and administrative costs,
e) budgets including the profit and loss account, balance sheet and funds flow statement for each of the first three years, and
f) a forecast of the financial position for each of the first three years.

II - Organisation

Section 2a-5 Parent company in a financial group
The parent company in a financial group may be:

a) a financial institution coming under section 1-4
b) a company coming under section 2a-2 litra d), or
c) an owner undertaking coming under section 2a-2 litra e).

Section 2a-6 Companies which may form part of a financial group
Unless otherwise provided by law, a financial group may, in addition to a parent company as mentioned in section 2a-5, encompass:

a) financial institutions,
b) management companies for securities funds,
c) property and investment companies,
d) debt collection agencies,
e) companies which intermediate financial services, and
f) companies with a natural connection with financing activity or insurance business.

The organisational set-up of a financial group shall be approved by the King. In connection with such approval conditions may be attached to the effect that a company which forms part of a financial group shall be directly owned by a parent company as mentioned in section 2a-2 second paragraph litra d) or be organised in the same sub-group. Conditions may be attached regarding the size of the parent company’s holding. A bank may not be owned by another bank. In a mixed group either:

a) the parent company shall be a holding company as mentioned in section 2a-2 second paragraph litra d),
b) the insurance company shall exercise controlling influence over the bank through a wholly-owned subsidiary which pursuant to its articles of association shall not carry on other activity than managing its holdings in undertakings not engaged in insurance business, or
c) the bank shall exercise controlling influence over the insurance company which pursuant to its articles of association shall not carry on other activity than managing its holdings in insurance companies.

Undertakings which intermediate financial services shall be organised in such a way as to preserve their status as independent intermediaries as effectively as possible.
Special rules laid down in or pursuant to the Insurance Activity Act apply to undertakings carrying on insurance business.

The name of the parent company, group entity or the group shall be clear from the name or from an addition to the name of any undertaking that forms part of a financial group when such a group is Norwegian.

The King may in special cases make exceptions from the first and second paragraph.

Section 2a-7 Changes in organisational set-up

The parent company in a financial group is required to notify Kredittilsynet of any of the following changes in the organisational set-up of a financial group:

a) disposal of holdings as mentioned under section 2a-3 fourth paragraph in a financial institution,

b) disposal of a subsidiary in a financial group that does not come under section 2a-3, second paragraph. The provision applies pari passu in the event of the disposal of a substantial portion of the business to a subsidiary,

c) closure of a foreign branch.

Changes in organisational set-up other than those mentioned in the first paragraph shall be approved by the King. The King may issue further rules to the effect that changes encompassed by the notification requirement pursuant to the first paragraph shall be subject to a licensing requirement.

III - Transactions and consolidation

Section 2a-8 Transactions between undertakings in a financial group

Transactions between undertakings in a financial group shall be in accordance with ordinary business terms and principles. Kredittilsynet may order changes to be made in transactions between undertakings in the group that are not in accordance with the provision of the first sentence.

A financial group shall have rules for its activity that ensure that revenues, expenses, losses and profits are distributed as correctly as possible among undertakings and business areas. Kredittilsynet shall supervise such distribution and may order the group to change transactions between group undertakings or to change other dispositions which lead to a distribution that is not in accordance with the principles in the first sentence of this paragraph. Kredittilsynet may lay down further rules for such distribution.

Group contributions may not be made between sister companies. Neither may group contributions be given by life insurance companies, except as provided in the company's articles of association. The contribution together with dividend must not exceed a prudent distribution of dividend based on the individual year's operation unless the King, in order to secure the financial strength of a group company, authorises a higher contribution. The King may establish supplementary rules pursuant to this paragraph.

Except as otherwise provided by the King, a group company may not make loans to or provide guarantees in favour of another company within the group.
Except as otherwise provided in the terms of the licence, a stockbroking firm which forms part of the group may transact business on behalf of another undertaking in the group. In cases where such broking is performed, the undertaking shall ensure that the counterparty employs a broker unless the terms of the licence state that this is not required.

Section 2a-9 Rules of consolidation
A financial institution shall, when applying capital adequacy rules and other prudential rules, undertake consolidation pursuant to the rules of this section when it directly or indirectly has a holding which represents 20 per cent or more of the share capital or the voting rights in:

a) another Norwegian or foreign financial institution,
b) a Norwegian or foreign investment firm, commercial property or property company, investment company or other company with substantial financial assets.

The obligation to undertake consolidation also applies to a financial institution which is the parent company in a sub-group, as well as to collaborative mutual insurance companies and other corresponding group affiliates which are not part of an ownership hierarchy.

Group accounts shall be based on the principle of proportional consolidation. Kredittilsynet may also order consolidation in the case of holdings of 10 per cent and above.

In cases where consolidation is not implemented pursuant to the first paragraph, a capital adequacy reserve of 100 per cent of balance sheet value shall be set aside in respect of holdings of 10 per cent or more. Kredittilsynet may also order the financial institution in question to maintain such a reserve in respect of holdings of less than 10 per cent.

If a financial institution has contributed capital apart from share capital to another financial institution, which alone or together with a holding in the financial institution corresponds to 10 per cent or more of the latter's total own funds, and consolidation pursuant to the first paragraph is not effected, a capital adequacy reserve shall be set aside corresponding to 100 per cent of the balance sheet value. Kredittilsynet may also order a financial institution to set aside such reserve when total contributed and owner's capital as mentioned in the first sentence constitutes less than 10 per cent. The King may in special cases make exceptions from the provisions of this paragraph.

Kredittilsynet may issue further rules on the implementation of consolidation or allocation to a capital adequacy reserve pursuant to this section.

IV - Special rules on parent companies as mentioned in section 2a-2 litra d)

Section 2a-10 Form of organisation, articles of association
The parent company shall be organised as a private limited company or public limited company. The provisions of the Private Limited Companies Act and the Public Limited Companies Act apply unless otherwise provided by law or regulation. The Private Limited Companies Act section 3-5 first paragraph third sentence and section 8-1 second sentence and the Public Limited Companies Act section 3-5 first paragraph third sentence and section 8-1 second paragraph do not apply to parent companies of financial groups.
The company's articles of association and amendments thereto shall be approved by Kredittilsynet.

Section 2a-11 Company bodies
A parent company shall have a committee of representatives. The King may lay down further rules concerning the organisation and activity of the committee of representatives.

The parent company and undertakings included in the group may have the same committee of representatives.

The undertakings in the group shall have the same auditor unless otherwise provided by law or regulations.

A parent company shall have a control committee. The control committee shall see to it that the entire activity of the group is carried on in an appropriate and satisfactory manner, and shall cooperate with the group companies’ control committees. The Ministry may authorise several companies, including the parent company in the group, to have the same control committee.

Section 2a-12 Increase of own funds
Except with the King's consent, own funds may not be increased by other means than through retained profits.

Resolutions regarding the write-down of share capital are only valid when authorised by the King.

Section 2a-13 Confidentiality
Employees and officers of the parent company are subject to a duty of confidentiality in regard to information they obtain about the commercial or private circumstances of others, unless they are required by law or regulation to disclose such information.

Section 2a-14 Merger and demerger
Merger and demerger of the parent company may only be carried out when authorised by the King.

Section 2a-15 Winding up, etc.
Resolutions regarding the winding up or dissolution of the parent company may not be carried through unless authorised by the King. This does not apply if the company's licence is withdrawn. In such event the board of directors is required to initiate winding up proceedings immediately.

Kredittilsynet takes the place of the liquidation court when the rules of chapter 16 of the Private Limited Companies Act and of chapter 16 of the Public Limited Companies Act are applied.

Winding up and debt settlement proceedings pursuant to the Debt Settlement Proceedings and Bankruptcy Act may not be instituted against the parent company.
Section 2a-16 Establishment of a group with a parent company as mentioned in section 2a-2 litra d)
The general meeting of a financial institution which owns or wishes to own a holding of such a size in another financial institution that a group relationship exists between the two institutions may with the King’s consent decide that the group shall be organised with a parent company as mentioned in section 2a-2 litra d). Such a decision requires the same majority as that required for amendments to the articles of association.

Implementation of a decision pursuant to the first paragraph entails that the shares held by shareholders of the financial institution which has adopted the decision are converted to shares of the company which is to be the parent company. The general meeting’s decision has the same effect as subscribing for the shares issued by the company that is to be the parent company in exchange for the shares received by the company.

Where a decision has been adopted by the general meeting pursuant to the first paragraph and the company which is to be the parent company has adopted the decisions required for the conversion to take place, the shareholders shall be registered as shareholders in the shareholders register of the company which is to be the parent company, or be entered in the latter company’s shareholder ledger.

Section 2a-17 Group comprising a savings bank and a mutual insurance company
A savings bank and a mutual insurance company may enter into an agreement to establish a group whose participating undertakings share a joint board of directors (group executive board). The decision to enter into such an agreement shall be taken by the body which elects the board of directors of the individual undertaking, and shall be by simple majority vote as in the case of amendments to the articles of association. Any decision to terminate the agreement shall be taken by the same body by simple majority vote.

The group executive board shall be responsible for the management of the undertakings making up the group. The group executive board shall be elected by identically worded resolutions adopted by the bodies which elect the board of directors of the individual undertaking. The group executive board shall be composed in accordance with the Savings Banks Act section 14 and the Insurance Activity Act section 5-1. The group executive board shall have the competence and the responsibility required of the board of directors by the Savings Banks Act, Insurance Activity Act and other bodies of rules. The rules governing the board of directors' administrative procedures in both the Savings Banks Act and the Insurance Activity Act shall apply. Separate minutes shall be kept of the board meetings of each of the undertakings making up the group.

A savings bank and a mutual insurance company making up a group shall each have a management board ("virksomhetsstyre") of at least three members. The purpose of this board is to ensure that the group is not managed in such a way as to conflict with the interests of the undertaking in question. The board shall be elected by the body which pursuant to the Savings Banks Act and the Insurance Activity Act is responsible for electing the board of directors. In matters of substantial significance to the individual undertaking the group executive board shall invite the board to state its views before the group executive board reaches a decision. The board may state its views on other matters of significance to the undertaking. The group executive board shall draw up a proposal for instructions, including
delegation, to the management boards. The instructions shall be adopted by the body which elects the board of directors and are subject to Kredittilsynet's approval.

The group managing director is appointed by the group executive board and shall have such competence and responsibility in each individual undertaking as is required of the general manager by the Savings Banks Act, Insurance Activity Act and other bodies of rules. The Savings Banks Act section 17 first paragraph no. 2 does not apply.

A savings bank and a mutual insurance company in the group shall be regarded as subsidiaries within the same group for the purposes of provisions laid down in or pursuant to this Act.

The ministry may lay down further rules in the form of regulations to supplement the rules of this section.

Chapter 3. Finance companies and mortgage credit institutions

Section 3-1 Scope, etc.
The provisions of this chapter apply to finance companies and mortgage credit institutions. Further rules regarding finance companies and mortgage credit institutions and their activities may be established in regulations issued by the King.

A finance or mortgage company is a financial institution which is not:

1. a savings bank or commercial bank,
2. a company or other institution falling within the Insurance Activity Act (No. 39 of 10 June 1988),
3. a loan intermediary.

I - The company's organisation

Section 3-2 Form of business organisation, etc.
Except with the consent of the King, finance companies and mortgage credit institutions may not be organised as other than private limited companies, public limited companies, self-owning institutions (foundations), or borrowers' associations (loan associations, mortgage associations). The King may set requirements as to the company's structure as a condition of authorisation.

The articles of association shall contain further provisions as to the organisation of the company. Unless otherwise provided in this Act or in regulations issued thereto, the legislation on private limited companies applies to finance companies and mortgage credit institutions organised as private limited companies, and the legislation on public limited companies applies to finance companies and mortgage credit institutions organised as public limited companies. The Private Limited Companies Act section 3-5 first paragraph third sentence and section 8-1 second paragraph and the Public Limited Companies Act section 3-5 first paragraph third sentence and section 8-1 second paragraph do not apply to finance
companies and mortgage credit institutions organised as private limited companies or public limited companies.

Section 3-3 Licence
Finance companies and mortgage credit institutions may not carry on business without authorisation from the King. This does not apply to undertakings as mentioned in section 1-4, second paragraph. Finance companies and mortgage companies must have special permission from the King to carry on business as mortgage credit institutions (cf section 1-5 subsection 1). Finance companies and mortgage credit institutions shall have their registered office and head office in Norway.

Applications for authorisation shall contain the information deemed to be of significance for dealing with the application in question. The licence applicant shall enclose articles of association or draft articles of association and an operating schedule for the company's first three years of operation. The operating schedule shall as a general rule contain:

a) information about the company's corporate structure after the establishment,
b) an overview of the operating set-up and routines for the business and services that the company intends to offer,
c) information about the company's capital composition,
d) budgets for establishment and administrative costs,
e) budgets including the profit and loss account, balance sheet and funds flow statement for each of the first three years, and
f) a forecast of the financial position for each of the first three years.

Authorisation shall be refused if the provisions of this Act are not complied with or if the board of directors, managing director or other person directly in charge of the business:

1. cannot be deemed to have the experience necessary to fill the post or the office,
2. has been convicted of a criminal offence, and the offence committed gives reason to assume that the person in question would not discharge the position or the post in a satisfactory manner, or
3. in his post or in the performance of other office has displayed conduct that gives reason to assume that the person in question would not discharge the position in a satisfactory manner.

Conditions may be attached to authorisation such that the activities must be carried on in a certain way or subject to certain constraints or from certain places of business. Other conditions may also be set, including the changing of previously established conditions, in order to safeguard the interests to be protected by this Act.

The articles of association shall be approved by the King and may not be amended without approval from the King.

The decision on an application for authorisation pursuant to the first paragraph shall be communicated to the applicant within six months of receipt of the application. If the application does not contain the information required to decide whether authorisation should be granted, the time-limit shall be reckoned from the date that such information was received.
Section 3-4  Activities of foreign finance companies and mortgage credit institutions in Norway
The King may authorise a foreign financial institution to carry on activities in Norway as a finance company or mortgage company through a branch or undertaking registered in Norway. Section 3-3 second, third, sixth and seventh paragraph of the present Act applies correspondingly to foreign finance companies and mortgage credit institutions. Authorisation may only be given to financial institutions which are authorised to carry on identical activities in their home country and which are subject to satisfactory home country supervision. The King may attach conditions to such authorisation and may delimit the activities which the undertaking will be authorised to carry on.

In the case of branches of financial institutions with authorisation pursuant to the first paragraph, the provisions of this Act apply with the exception of chapter 2a and sections 2-2, 2-3, 2-6, 2-18 up to and including 2-24, 3-5, 3-6 and 3-8 up to and including 3-11 and 3-17. The King may lay down further rules for such branches' activities in Norway.

Before a foreign financial institutions starts operations in Norway through a branch, satisfactory cooperation on supervision shall have been established between the supervisory authorities in the financial institution's home country and Kredittilsynet.

The Norwegian representative offices of foreign finance companies and mortgage credit institutions must be registered with Kredittilsynet.

Section 3-5  Own funds
A finance or mortgage company may not be founded with share capital or primary capital smaller than the equivalent in Norwegian kroner of EUR 5 million. The King may in special cases authorise the share capital or primary capital to be fixed at a smaller amount, but not smaller than the equivalent in Norwegian kroner of EUR 1 million. The company's own funds shall at all times correspond to at least the amount required when it received authorisation to carry on business.

Except with the consent of the King, the own funds may not be increased by other means than through retained profits. Such conditions may be attached to authorisation as are suited to safeguarding the interests to be protected by this Act.

Section 3-6  Winding up, merger, etc.
Any resolution to the effect that a finance company or mortgage company shall wind up its activity, merge with or be taken over by another undertaking or change its organisational form, must be approved by the King. Such a resolution requires at least two-thirds of the votes cast. The company's creditors may not oppose such a decision provided that its implementation will not result in an impairment of security, or that such impairment must be regarded as immaterial.

If the company is organised in any other way than as a private limited company or public limited company, such a resolution shall be made by the committee of representatives. The King may lay down rules for the implementation of the resolution.
Acquisition of shares of finance companies and mortgage credit institutions authorised under section 3-3 must be approved by the King when such acquisition entails that the company or institution will form part of a group.

Section 3-7  Revocation of licence
Kredittilsynet may entirely or in part revoke authorisation given under section 3-3 first paragraph and section 3-4 first paragraph of this Act if the authorised activities have not commenced within one year of the day on which authorisation was given.

The King may revoke authorisation given to a company to carry on business in the event that the board of directors or other controlling bodies have committed gross or repeated contraventions of their statutory duties, of regulations issued pursuant to law, of the conditions set for authorisation to carry on the business in question, or of the articles of association. The same applies in the event of other serious irregularities on the part of the management of the company, or other circumstances which give reasonable cause to believe that continuation of the activities would not be in the public interest.

In the event of revocation of authorisation to carry on its activities, the company shall wind up its business in accordance with rules established by the King.

II - The company's bodies

Section 3-8  Officers
Except with the consent of the King, only persons who are citizens of a state that is a party to the Agreement on the European Economic Area and are resident in such a state may serve as officers of finance companies and mortgage credit institutions that are not organised as private limited companies.

Officers shall remain in office until replacements have been elected or appointed, even if their term of office has expired.

Section 3-9  Board of directors. Managing director
The company shall have a board of directors of at least four elected members, unless the King consents to a lesser number.

The members of the board of directors shall be elected by the committee of representatives. If the company in question does not have a committee of representatives, the members of the board of directors shall be elected at the general meeting. The articles of association may provide that the right of the committee of representatives or the general meeting to elect members to the board of directors shall be transferred to other bodies, albeit not to the board of directors itself or to any member of the board of directors.

The company shall have a managing director who shall be a member of the board of directors. The managing director shall be appointed by the committee of representatives. If the company does not have a committee of representatives, the managing director shall be appointed by the board of directors.

The provisions of the Private Limited Companies Act concerning the terms of office of the members and the authority of the board of directors and the managing director apply...
correspondingly to undertakings not organised as private limited companies or public limited companies.

Section 3-10 Committee of representatives
The company shall have a committee of representatives of at least twelve members. The King may consent to a lower number. If the company is organised as a private limited company, the King may permit the committee of representatives to be dispensed with.

If the undertaking is organised in any other way than as a private limited company or public limited company, the committee of representatives constitutes the highest authority in the undertaking.

The committee of representatives should represent a variety of interests, its members being drawn from the various districts, stakeholder groups and industries affected by the company's activities. Members of the board of directors may not serve as members of the committee of representatives.

The members of the committee of representatives shall be elected in accordance with further rules set out in the articles of association.

Section 3-11 Control committee
The company shall have a control committee of at least three members and a deputy member. Members and deputy members shall be elected at the general meeting. One member of the committee shall have the qualifications required of judges pursuant to Courts of Justice Act (No. 5 of 13 August 1915) section 54 second paragraph. The election of this member shall be approved by Kredittilsynet. Kredittilsynet may grant dispensation from the provisions of the two preceding sentences.

The control committee shall supervise the activities of the company and, inter alia, ensure that the activities are carried out in accordance with this Act and with the articles of association of the company. It shall in particular oversee the dispositions of the board of directors. The King shall establish further rules for the committee's work. At least once a year the committee shall report on its work to the committee of representatives and Kredittilsynet. Should the committee become aware of substantial negligence, errors or irregularities of major significance or scope, or it believes that the company has suffered heavy losses, it shall immediately take up the matter with Kredittilsynet.

The Private Limited Companies Act section 6-6 on the term of office of members of the board of directors applies correspondingly to the members of the control committee.

Section 3-12 Disqualification
No member of the board of directors, committee of representatives or control committee may participate in the discussion of or decision on any matter of such great importance to himself or to persons closely connected with him that he must be considered to have a marked personal or financial interest in the matter. Nor may any member of the board of directors participate in decisions concerning loans against, or the discounting of, any paper bearing his name.
Section 3-13 Auditor
An auditor shall be elected by the committee of representatives. If the company does not have a committee of representatives, the auditor is elected by the control committee.

The auditor shall be registered or state authorised unless otherwise provided by the King in regulations or in the particular case.

Section 3-14 Duty of confidentiality
Officers and employees must treat as confidential any information that may come to their knowledge by virtue of their position concerning other persons' business or private circumstances unless they are required by law to disclose such information. The same applies to assessors, agents and others acting on behalf of the company. The duty of confidentiality does not apply to information provided by the board of directors, or by anyone authorised by the board of directors, to other credit institutions on behalf of the company.

This provision shall not prevent the company from carrying on credit reference activity in accordance with the legislation governing such activity.

Section 3-14a Officers' and employees' trading for own account
The Securities Trading Act (No. 79 of 19 June 1997) sections 2a-1 to 2a-7 applies to officers' and employees' trading of financial instruments for own account.

Section 3-15 Deputies, etc.
The articles of association shall specify whether the officers of the company shall have deputies. Insofar as appropriate, the provisions of this Act concerning officers apply to deputies.

III - The company's activities

Section 3-16 Scope of activity
Finance companies and mortgage credit institutions may only engage in financing activity and foreign exchange activity and activity naturally related thereto.

The articles of association shall contain provisions stating what kind of financing activities the particular company shall be authorised to carry on.

The provision of the first paragraph shall not prevent a company from temporarily carrying on or participating in other activity to the extent necessary to recover its claims. Kredittilsynet may require the company to cease such activity within a certain date.

Section 3-17 Capital adequacy requirements
The company shall at all times maintain a capital ratio of at least 8 per cent of its on-balance sheet items and off-balance sheet commitments calculated according to risk-weighting principles.

The King may stipulate:

a) a minimum amount of own funds
b) rules concerning the basis of measurement
c) what shall be eligible for inclusion in own funds

d) a ratio other than the one stated in the first paragraph in order to bring Norwegian provisions into line with international standards.

As a condition for approving the articles of association, the King may require the share capital to be fully paid up before the company commences operations and may in special cases and for a limited period consent to a company having a lower capital ratio than the one stipulated.

Section 3-18 Restriction on holdings of shares, etc.
Except with the consent of the King, the sum of the balance sheet value of shares and holdings, real property, and owner-interests in ships must not exceed one-half of the company's equity capital.

The limit pursuant to the first paragraph does not apply to leasing portfolios.

Chapter 4. Intermediation of loans

Section 4-1 Notification requirement, etc.
All persons engaged in the intermediation of loans shall notify such activity to Kredittilsynet on the form specified by Kredittilsynet. Commercial banks, savings banks, finance companies and mortgage credit institutions are exempt from the notification requirement.

Should the activity be carried out in a manner contrary to statutory provisions or regulations pursuant thereto, the King may order the cessation of such activity. Kredittilsynet may demand the information necessary to verify that the said activity ceases.

Section 4-2 Duty of care and duty to disclose information
Any person engaged in the intermediation of loans shall protect the interests of both the borrower and the lender in a satisfactory manner. He shall inform the parties to the loan of the effective rate of interest and other pertinent matters, including repayment terms and the right, if any, to adjust the rate of interest. Any payment whatsoever on the part of the borrower, including broker's commission, guarantee commission, other commissions and costs of administering the loan, as well as any discount deducted at the time of the disbursement of the loan, shall be taken into account when the interest rate is calculated. Information on the effective interest rate shall be given clearly and in writing, with a margin of error no greater than one quarter of one per cent per annum.

The King may lay down further regulations regarding loan intermediation and require security to be furnished for such liability as the broker may incur in transacting such business.

Chapter 4a. Foreign exchange activity

Section 4a-1 Right to carry on foreign exchange activity
Foreign exchange activity may only be carried on by institutions as mentioned in section 1-4 first paragraph no. 1, 3, 4 and 5.
For the purposes of this act, foreign exchange activity is deemed to comprise foreign exchange transactions and international money transfers. "International money transfer" means the execution of all or parts of a payment order where moneys are made available to the recipient in a country other than the country in which the payment order was issued.

The King may make exceptions from the first paragraph by means of regulations or individual decision.

The King may issue regulations containing further rules on foreign exchange activity.

Section 4a-2 Finance companies and mortgage companies only carrying on foreign exchange activity
Institutions only carrying on foreign exchange activity may be licensed as a finance company or mortgage company in accordance with section 3-3.

Section 4a-3 Foreign institutions' foreign exchange activity in Norway
Section 3-4 applies pari passu to foreign institutions carrying on foreign exchange activity.

Chapter 5. Penalties etc.

Section 5-1 Penalties
Anyone who wilfully or through negligence contravenes the provisions of this Act or orders or injunctions issued pursuant thereto is punishable by fine or, in particularly aggravating circumstances, by imprisonment of up to 1 year, provided the offence is not subject to any severer penalty provisions.

Section 5-2 Injunctions and coercive measures
The ministry may issue injunctions to the effect that circumstances in contravention of this Act or provision issued in pursuance of this Act shall cease. The ministry may set a deadline for the circumstances in question to be made to comply with the injunction. If such injunction is not complied with, the ministry may adopt a resolution to apply one or more of the sanctions mentioned in the second paragraph.

The ministry may impose a coercive fine, accruing to the State, on anyone who fails to comply with an injunction pursuant to the first paragraph. The coercive fine may be imposed in the form of a non-repeatable fine or a daily fine. The imposition of a fine is a basis for enforcement by distraint. The ministry may issue further rules on the stipulation of coercive fines, including the size of the fine.

Holdings acquired in breach of the rules on supervision of ownership shall be subject to immediate forced sale. The Enforcement Act section 10-6, cf section 8-16 is not applicable. Voting rights pertaining to such holdings cannot be exercised.

Section 5-3 Duty to disclose information
All shareholders in a financial institution or parent company in a financial group are required to disclose at the request of Kredittilsynet such information as is necessary to oversee compliance with this Act.
Chapter 6. Commencement, transitional provisions, repeal and amendment of other Acts

Section 6-1 Commencement. Transitional provisions

This Act comes into force on the date decided by the King. Transitional provisions are established by the King.

Section 6-2 Repeal and amendment of other acts

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