

Ensuring Financial Institution Compliance – A risk-based approach



Agenda

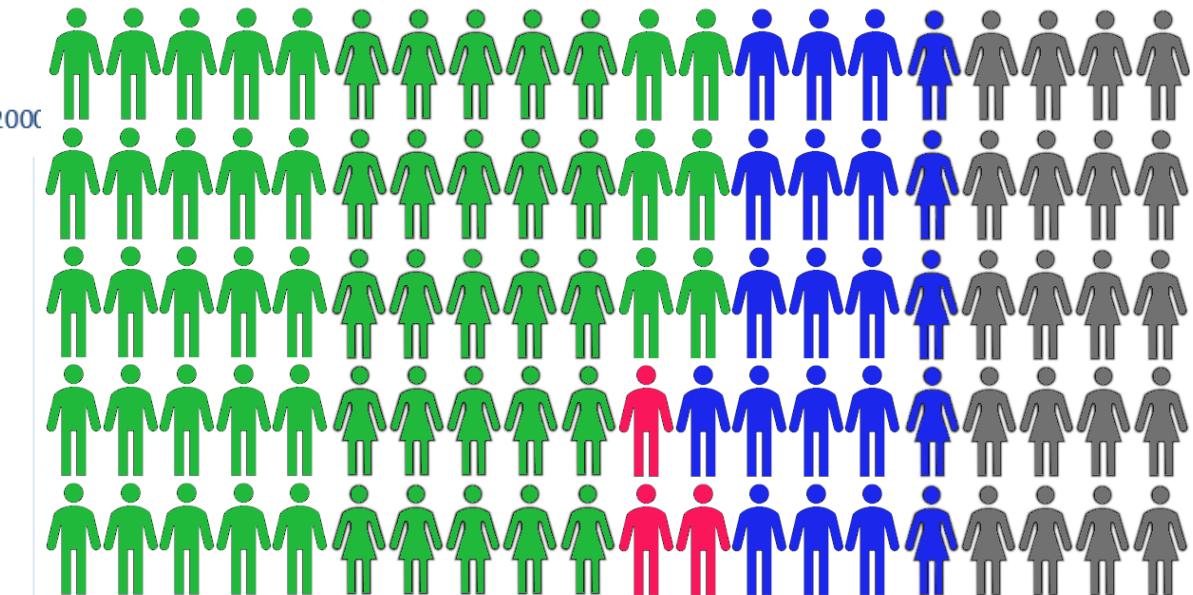
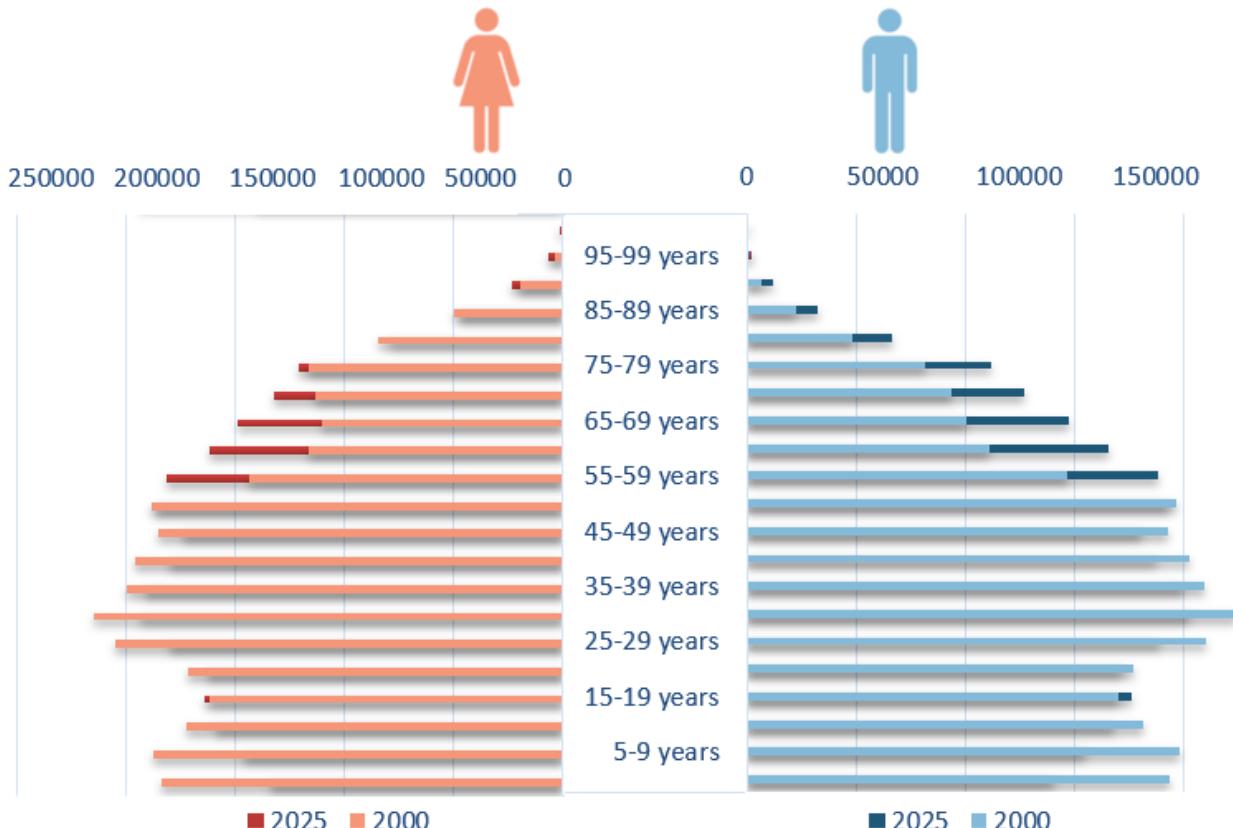
- Introduction
- Identifying Reporting Financial Institutions
- Ensuring reporting
- Quality control



Introduction: Norway



The population's connection to the labour market



3 068 000 Employed (15-74 years)

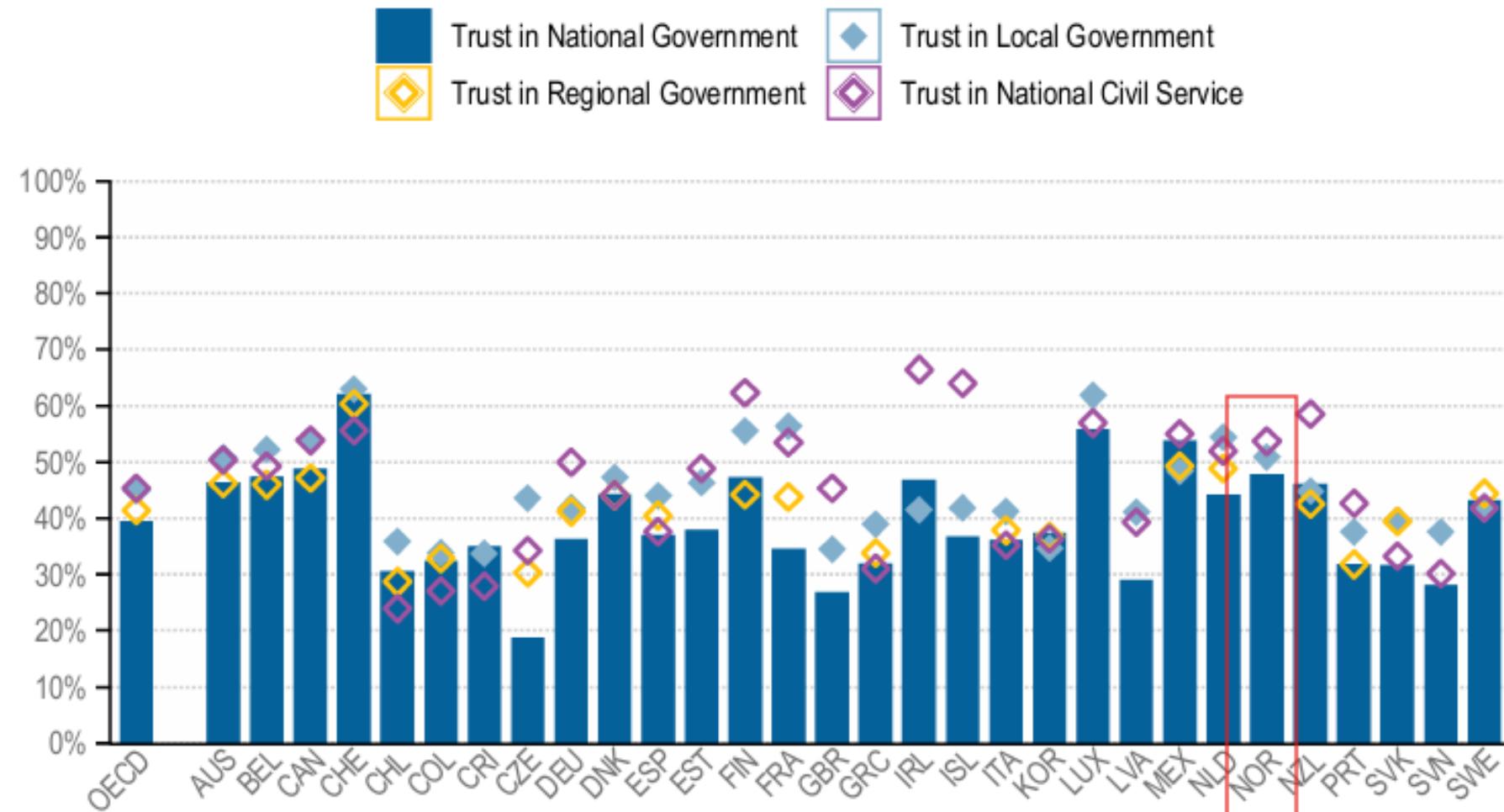
153 000 Unemployed (15-74 years)

1 098 000 Outside of workforce (15-74 years)

1 181 000 Population under 14 years and over 75 years

High Level of Confidence in Government and Civil Services

Share of population with high or moderately high trust in the national/regional/local government and national civil service, 2023



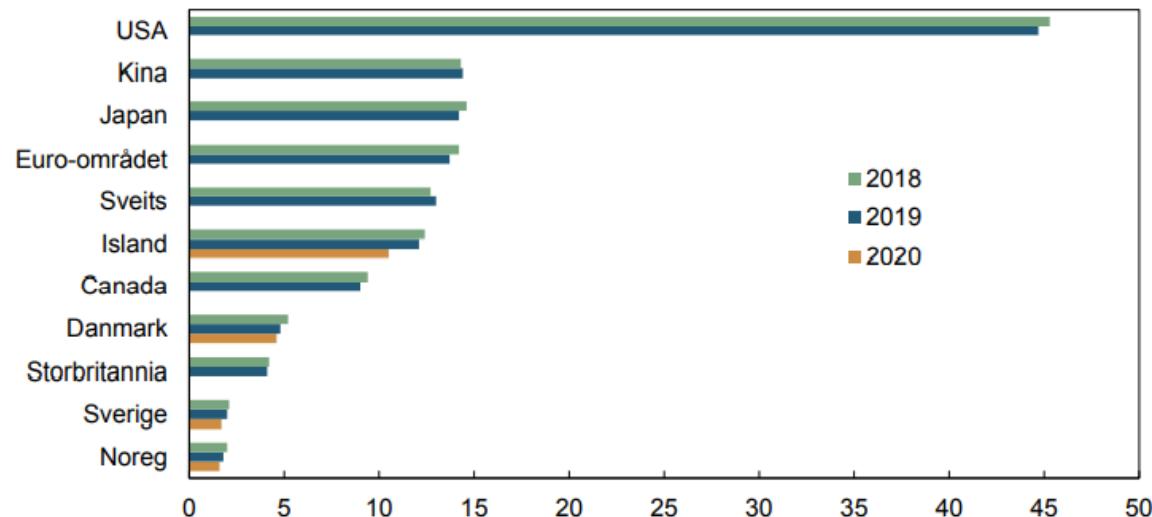
Source: [Future Well-being](#)

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OECD (2024), OECD Survey on Drivers of Trust in Public Institutions – 2024 Results: Building Trust in a Complex Policy Environment, OECD Publishing, Paris, <https://doi.org/10.1787/9a20554b-en>

Payment Services

Cash as a percentage of payment services

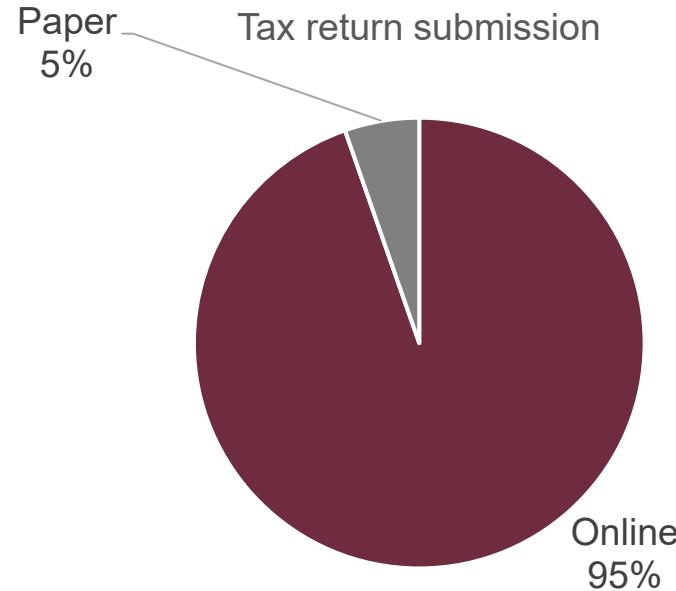


Kjelder: BIS, Danmarks Nationalbank, ESB, Sedlabanki Islands, Statistisk sentralbyrå, Statistiska Centralbyrån og Noregs Bank

Source;

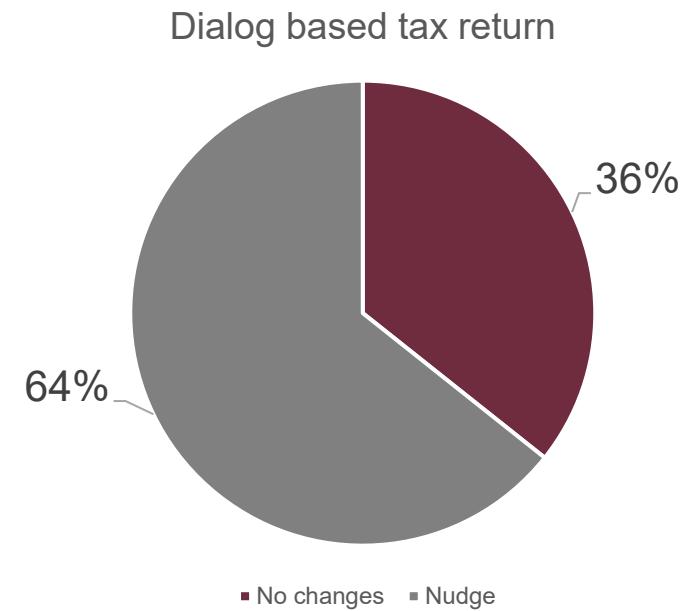
The central bank of Norway

High Number of Digital and Pre-filled Tax Returns for Persons (2024)



Dialog based tax return
About 60 million records of third-party data collected and used for prefilling and nudging campaigns. 408 different nudges are used to prompt tax subjects to file correct

5 282 434 personal taxpayers.



Digital Public Registers of High Quality



- Digital public registers of high quality - widely used in society
- Population register with unique identification of residents and ID-number.
- Unique and coordinated identification of all legal entities
- Common access service for all digital public services

Scale of the financial sector in Norway

- Depository institutions – 148
- Life insurance companies - 10
- Investment institutions – 3955
- Custodial institutions – 492
- Total licences = 4606
- Unique institutions = 4375

Type	Licences (FSA)	Number of institutions	Total
Depository institutions	Banks	148	148
Investment institutions	Mutual funds	321	
	Cross-border mutual fund	1043	
	Alternative investment fund	578	
	Cross-border alternative investment fund	1134	
	Investment entity	202	
	Cross-border investment entity	677	3955
Life insurances	Life insurance company	10	10
Custodial Institutions	Broker investment fund	29	
	Cross-border broker investment fund	54	
	Broker alternative investment fund	248	
	Cross-border broker alternative investment fund	97	
	Depots	10	
	Nominees	54	492
Euronext Securities (Norwegian Central Securities Depository)			1



Risk management

Method for managing compliancy risks

Assignment clarification (Start)



Compliance strategy

Effects

Target

Guidelines

Limits

Complex

Chaotic

Complicated

Obvious

Comprehensive development method

Understand and define **The Problem** Explore and validate **Possibilities** Create and realize **Solution**

Solution

Overarching
goals

Key results

Verifiable
compliance

Best practice (one solution)
We know the solution; the cause and effect is clear – there is only one solution.

Connection to the product axis

fact based

systematic

documentable

Identifying RFIs

- How risk is assessed/understood

The NTA has mandated a risk-based approach to compliancy activities.

The methodology the NTA is using provides reliable indications of whether an account holder (person or entity) or beneficial owner, according to the Tax Administration Regulations, is a tax resident abroad or not. It aggregates information on individual account holders at the RFI level.

This informs the risk assessment of individual RFIs.

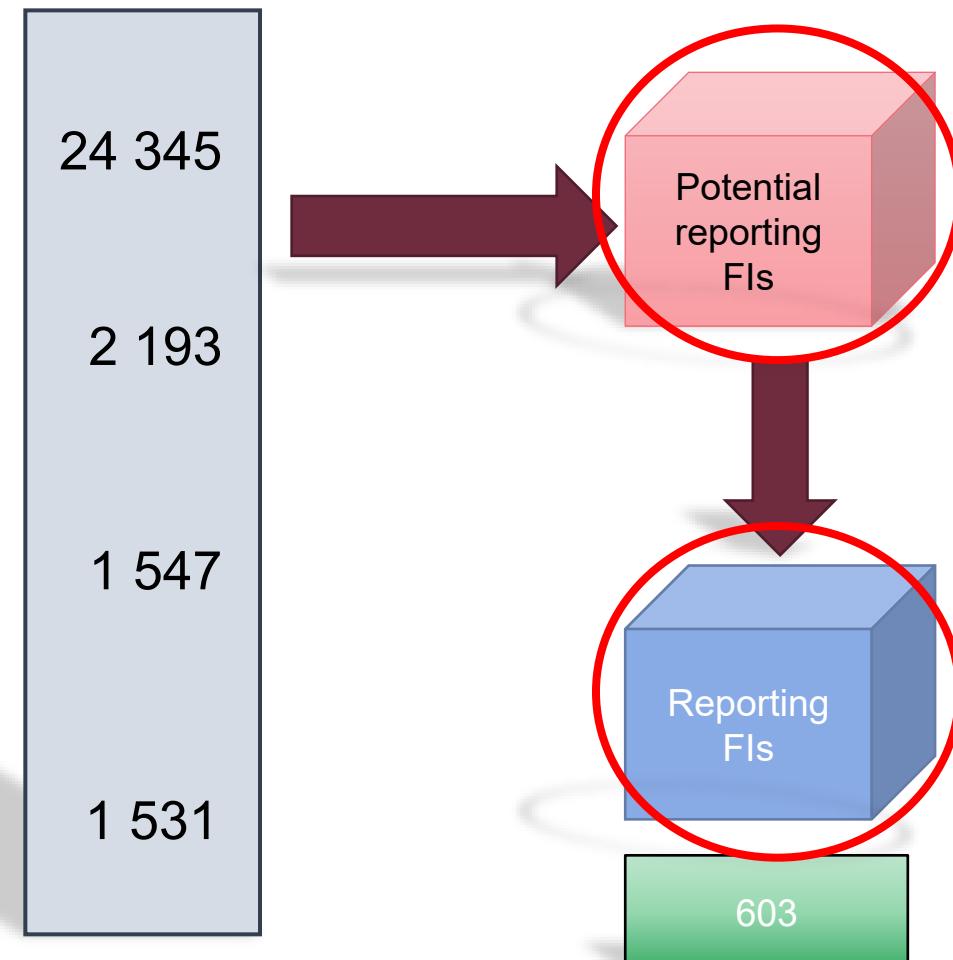
Targeted compliance activities are performed based on the completed risk assessment.



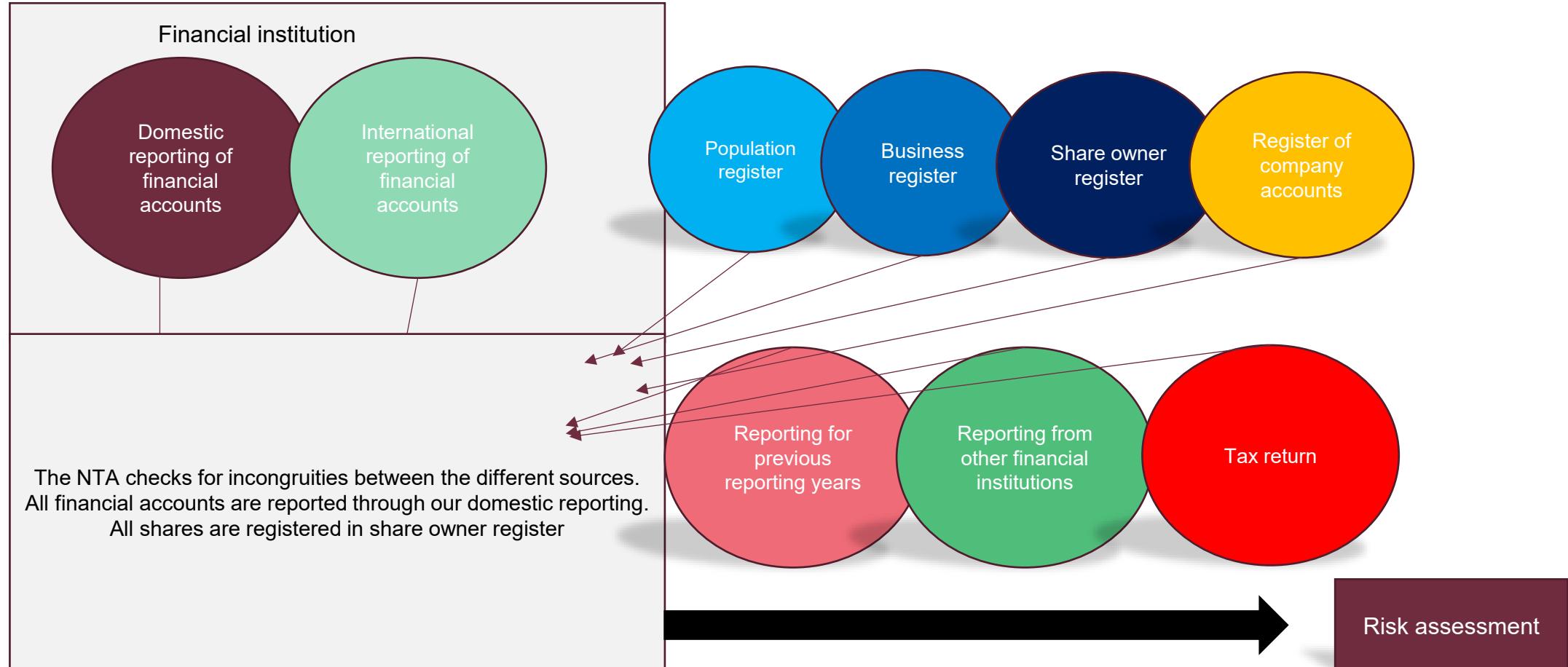
Identify potential RFIs

Pool of potential reporting FIs 2024

- 1 Entities registered in the Central Coordinating Register of Legal Entities as financial institutions, co-operatives etc.
- 2 Reporting entities to the Norwegian Tax Administration's third-party reporting schemes
- 3 Legal entities registered with licences issued by the Financial Supervisory Authority of Norway
- 4 The entities registered with GIIN with the Internal Revenue Service (IRS)

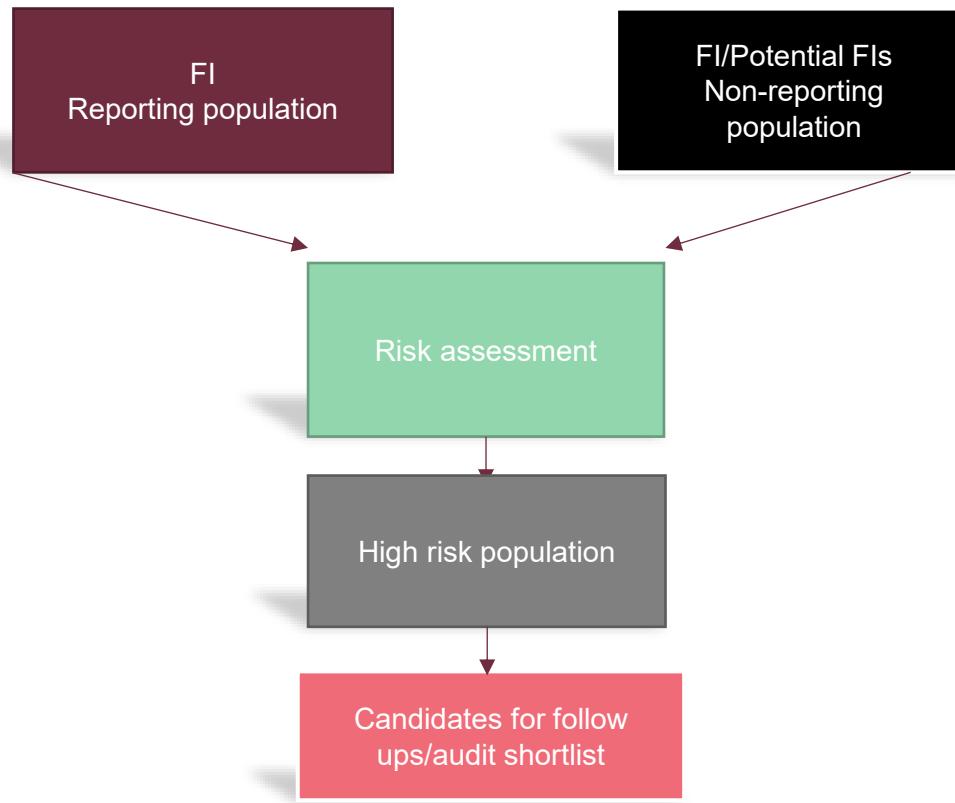


Sources for identifying Non-compliant FIs



Ensuring reporting

Identifying potential RFIs



- ❖ FI Reporting population:
 - Registered FIs domestic reporting schemes (2 193)
- ❖ FI/Potential FIs Non-reporting population:
 - Registered entities with The Financial Supervisory Authority of Norway (1 547)
 - Registered entities in the Business Registry with NACE-codes related to the financial sector and others. (24 345)
 - Norwegian Financial institutions with GIIN (1 513)
- ❖ Risk assessment:
 - Statistical analysis of account holders and beneficial owners reported to the NTA's domestic reporting schemes.
 - Statistical analysis of accounts reported for exchange via CRS or FATCA to the NTA
 - Analysis of reported data to domestic reporting scheme or data reported for exchange (errors, missing data year to year etc.)
- ❖ High risk population:
 - FIs with a statistical anomaly considering reported accounts marked for exchange
 - Entities with activities where account holders are expected (non-reporting)

Ensuring reporting



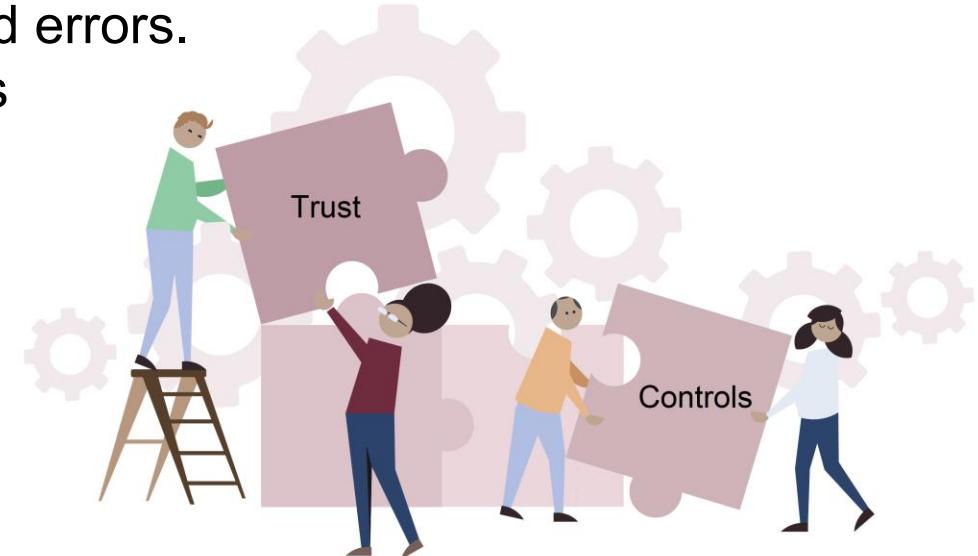
First level - Corrective actions

- + Review history of contact with the NTA:
 - + Has the potential RFI been in touch with the NTA about registering as a reporting financial institution, etc.?
 - + What was reported previously?
 - + Account holders identified as exchange candidates.
- + Establish point of contact with the potential RFI:
 - + Legal entities are registered with a managing director or board members, including their contact details.
 - + Registered responsible officer for submitting third-party information.
- + Inform potential RFIs
 - + Inform them of the regulatory framework and ask the potential RFI to identify themselves according to the regulation.
 - + Review statements and assessments according to other relevant information.
 - + Provide guidance on how to register as a statement submitter, including which regulation and reporting scheme to use.
- = Compliant RFIs – Resource usage low

Ensuring reporting

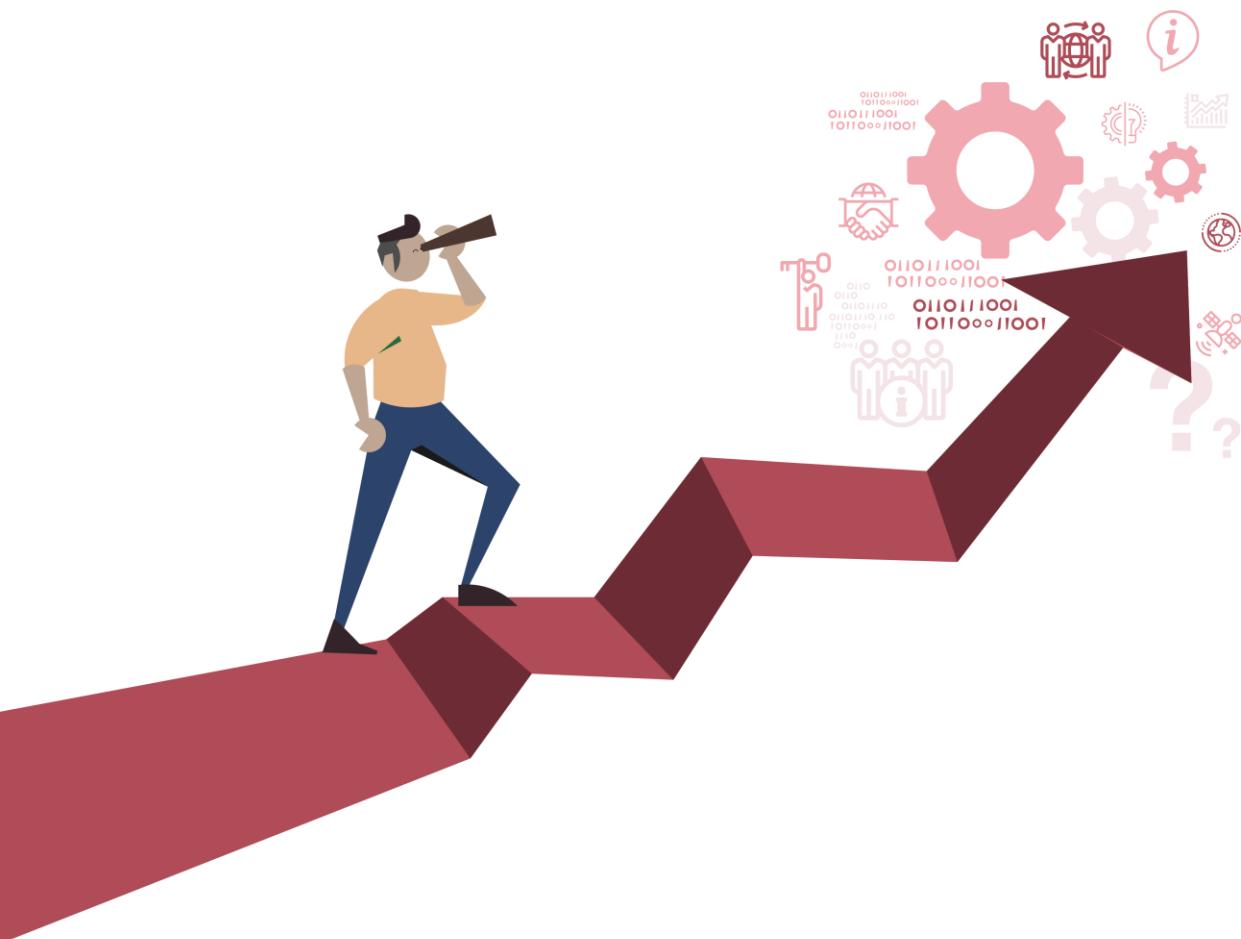
Second level – corrective measures

1. General nudge letters with specified area of identified errors.
2. Nudge letter with specified accounts/account holders
3. Single purpose desk audit
4. Full desk audit
5. Full onsite audit



Quality control

Self-evaluation and improvement



- Measuring outcome over reporting years
 - Measuring compliancy of outreach programs
 - Letters/E-mails
 - Dialogue meetings
 - 1-1 meetings
 - Measuring compliancy improvements after audits
 - We measure overall compliancy and on account level.
- Annual evaluation with report
 - Evaluate audit methods
 - Evaluate risk assessment methods
 - Evaluate effectiveness of outreach programs
 - Evaluate status in relation to overall strategy