

## REGULATORY INTELLIGENCE

**COUNTRY UPDATE-Finland: Securities & Banking**

Published 14-May-2020 by  
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This country guide provides a brief, high-level overview of the relevant regulatory framework related to securities activities and banking in Finland. Finland is a member of the European Union (EU). Finnish securities and banking laws are heavily based on EU legislation. In general, Finland is diligent in implementing EU legislation into national law. Finland's currency is the euro.

**Regulators***The Finnish Financial Supervisory Authority*

The Finnish Financial Supervisory Authority ( *Finanssivalvonta*, the "FIN-FSA") is the authority for supervision of Finland's financial and insurance sectors. The FIN-FSA supervises entities such as banks, insurance and pension companies, investment firms, fund management companies and the Helsinki Stock Exchange.

*Bank of Finland*

The Bank of Finland ( *Suomen Pankki*) is the central bank of Finland, which, among its other duties, is responsible for oversight of the Finnish financial system together with the FIN-FSA.

*Ministry of Finance*

Financial sector laws are usually prepared by the Ministry of Finance.

*Helsinki Stock Exchange*

The Finnish Stock Exchange, which is part of the NASDAQ group, operates Finland's only regulated market for listing of and trading in financial instruments. The Helsinki Stock Exchange is responsible for supervising that the activity taking place on the Stock Exchange complies with the applicable legislation, including the Stock Exchange rules as well as [Markets in Financial Instruments Directive](#) (MiFID II) and market abuse related obligations.

The Helsinki Stock Exchange is supervised by the FIN-FSA, but the Ministry of Finance validates the Stock Exchange's rules.

**Global legislation applicable to country**

Apart from EU legislation, there are no global laws that would directly apply to the Finnish securities and banking sector specifically.

**Applicable laws**

As Finnish securities and banking laws are largely based on EU legislation, the below covers both EU and domestic legislation applicable in Finland.

*Capital reserve requirements*

The Finnish capital reserve requirements comply in all material aspects with the Basel III framework on regulatory capital. The Basel III framework is implemented in the by the EU's capital requirements framework (namely [Capital Requirements Directive 2013/36/EU](#) (CRD IV) and [Capital Requirements Regulation](#) (EU) 575/2013 (CRR) on prudential requirements for credit institutions and investment firms).

CRD IV is implemented in Finland by the Finnish Credit Institutions Act (610/2014).

*Markets*

The Finnish Securities Markets Act (746/2012) regulates the offering and issuance of transferable securities in Finland.

The [Prospectus Regulation](#) (EU) 2017/1129 regulates the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.



## Trading and exchange

The operation of regulated markets and trading facilities in the EU is governed by the MiFID II and [Regulation \(EU\) No 600/2014](#) on markets in financial instruments (MiFIR).

MiFID II's trading rules (including the rules on operating a stock exchange) are implemented in the Finnish Act on Trading in Financial Instruments (1070/2017).

The central securities depository of Finland is Euroclear Finland.

### *Short selling*

Short selling of listed shares and government debt is regulated by the EU's [Short Selling Regulation \(EU\) No 236/2012](#).

### *Commodities and derivatives*

Trading in derivatives is regulated by Investment Services Act (MiFID II) where the derivatives qualify as financial instruments. Derivatives trading is also regulated by the [Regulation \(EU\) No 648/2012](#) on OTC derivatives, central counterparties and trade repositories (EMIR)

### *Bonds*

Except for covered bonds (see below), there is no specific legislation on bonds. Bonds are regulated by the general rules on promissory notes under the Finnish Promissory Notes Act (622/1947). Covered bonds issued by credit institutions are regulated by the Finnish Covered Bonds Act (688/2010). The Covered Bonds Act is expected to be amended in 2021 due to the implementation of the EU's new covered bond framework (Directive (EU) 2019/2162 and Regulation (EU) 2019/2160. The amendments are expected to apply from July 2022.

### *Funds*

Funds that qualify as UCITS within the meaning of the EU's [UCITS Directive](#) (2014/91/EU) are governed by the Finnish Act on Mutual Funds (213/2019), which implements the UCITS Directive in Finland. Funds other than UCITS funds are governed by the Finnish Act on Alternative Investment Fund Managers (162/2014), which implements the EU's Directive on Alternative Investment Fund Managers ([2011/61/EU, AIFMD](#)).

### *Credit institutions*

Credit institutions are governed by the Credit Institutions Act (which implements CRD IV in Finland) and CRR. A credit institution must be authorised by the FIN-FSA in order to carry out credit institution activity, which means accepting deposits and other repayable funds from the public together with granting credits or other financing as principal.

### *Mortgages*

Granting of mortgages to consumers is strictly governed by the Finnish Consumer Protection Act (38/1978), which implements the EU Directive (2014/17/EU) on credit agreements for consumers relating to residential immovable property.

### *Consumer credits*

Granting of consumer credits is strictly governed by the Finnish Consumer Protection Act (38/1978), which implements the EU Directive (2008/48/EC) on credit agreements for consumers. The maximum interest chargeable to consumer credit is 20% per annum.

### *Investment firms*

Investment firms are governed by the Investment Services Act (which implements MiFID II in Finland) and MiFIR.

An investment firm must be authorised by the FIN-FSA in order to provide investment services and perform investment activity. Investment services include, for example, portfolio management and investment advice.

## **Enforcement and investigation**

The FIN-FSA as the competent authority for Finnish financial firms imposes and enforces administrative sanctions. Criminal investigations are carried out by the Finnish police.

## **Creditor hierarchy**

### *Insolvency*

The insolvency of regulated entities, such as credit institutions and investment firms, is regulated by special legislation. For example, creditor hierarchy in a Finnish credit institution's bankruptcy is regulated by the Credit Institutions Act.

The general Finnish insolvency rules under the Finnish Bankruptcy Act (120/2004) apply to regulated firms in addition to entity-specific insolvency regulation.

As the principal rule secured creditors have priority over unsecured creditors in accordance with the terms of the credit.

### *Bank recovery and resolution*



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The EU's Directive [2014/59/EU](#) on recovery and resolution of credit institutions and investment firms is implemented in Finland by the Finnish Resolution Act (2014/1194).

#### **Data protection**

The EU General Data Protection Regulation (EU) [2016/679](#) on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR) applies directly in Finland. GDPR is complemented by the Finnish Data Privacy Act (1050/2018).

#### **Marketing**

The marketing of financial services and products is regulated by the Securities Markets Act and service or product-specific legislation. As the general rule, marketing may not be misleading or false.

#### **Market abuse**

Market abuse is regulated in Finland by the EU's Market Abuse Regulation (EU) No [596/2014](#).

#### **Corporate governance**

Finnish law implements EU legislation on remuneration applicable to e.g. banks and investment firms. Corporate governance of Finnish limited liability companies is regulated by the Finnish Companies Act (624/2006), which in its part implements the EU's Shareholder Rights Directive (2017/828/EU) in Finland.

*This country profile was kindly provided by Senni Mäki-Hallila and Jari Tukiainen, [Hannes Snellman](#)*

[Complaints Procedure](#)

Produced by Thomson Reuters Accelus Regulatory Intelligence

04-Jun-2020



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