

Translation from Finnish**Legally binding only in Finnish and Swedish****Ministry of Finance, Finland****Act on the Book-Entry System and Settlement Activities***(348/2017; amendments up to 636/2018 included)*

By decision of Parliament, the following is enacted:

PART I**GENERAL PROVISIONS AND DEFINITIONS****Chapter 1****General provisions****Section 1****Scope of application**

This Act applies to the book-entry system and the pursuit of settlement activities in Finland.

In addition to the provisions of this Act on the book-entry system and on settlement activities, provisions on a central securities depository (CSD) and on settlement activities are laid down in Regulation (EU) No 909/2014 of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, hereinafter the *EU Central Securities Depositories Regulation (CSDR)*.

In addition to the provisions of this Act on a central counterparty (CCP), provisions on a CCP are laid down in Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, hereinafter the *European Market Infrastructure Regulation (EMIR)*.

The Limited Liability Companies Act (624/2006) applies to a CSD and a CCP with a registered office in Finland, unless otherwise provided by this Act, the CSDR, the EMIR or other legislation pertaining to a CSD or settlement activities.

Section 2

Supervision

Compliance with this Act and the provisions and regulations issued under it is supervised by the Financial Supervisory Authority. Provisions on the Financial Supervisory Authority are laid down in the Act on the Financial Supervisory Authority (878/2008).

Section 3

Definitions

For the purposes of this Act:

- 1) *book entry* means a share, unit of interest or other right specified in chapter 2, section 1 of the Securities Markets Act (746/2012), another financial instrument referred to in chapter 1, section 14 of the Act on Investment Services (747/2012) or an equivalent right or another security incorporated into the book-entry system; (1079/2017)
- 2) *book-entry system* means an information system entity consisting of book-entry accounts and related lists referred to in the Act on Book-Entry Accounts (827/1991);
- 3) *foreign book-entry system* means a system of an EEA Member State or a third country corresponding to the book-entry system;
- 4) *book-entry register* means a register kept in a central securities depository (CSD) in Finland of book-entry accounts, book entries recorded in book-entry accounts as well as of rights and obligations pertaining to book-entry accounts and book entries;
- 5) *central securities depository (CSD)* means a Finnish limited liability company authorised under this Act to carry out the tasks of a CSD;
- 6) *foreign central securities depository (foreign CSD)* means a company that has been authorised under the EU Central Securities Depositories Regulation (CSDR) to carry out the tasks of a central securities depository (CSD) in an EEA Member State or that is a CSD authorised in a third country and recognised in accordance with Article 25 of the CSDR;
- 7) *central counterparty (CCP)* means an entity referred to in Article 2(1) of the European Market Infrastructure Regulation (EMIR);

8) *settlement agent* means an entity that has under Article 2(1)19 and Article 2(1)43 of the EU Central Securities Depositories Regulation (CSDR) been granted the right to submit transactions or other deliveries relating to financial instruments for settlement in the settlement system;

9) *settlement activities* mean the determination of obligations arising from transactions in financial instruments or the discharging of obligations referred to in Article 2(1)7 of the EU Central Securities Depositories Regulation (CSDR);

10) *account operator* means a party to a central securities depository (CSD) that the CSD has granted the right to record entries in the book-entry register;

11) *outsourcing* means an arrangement relating to the activities of a central securities depository (CSD) whereby another service provider provides the CSD with a function or a service which would otherwise be performed by the CSD itself;

12) *EEA Member State* means a Member State of the European Economic Area;

13) *nominee* means an entity entered in a list of owners referred to in chapter 4, section 3 instead of the owner of a book entry;

14) *shareholder register* means a register referred to in chapter 3, section 15, subsection 1 of the Limited Liability Companies Act;

15) *party* means a participant in accordance with Article 2(1)19 of the EU Central Securities Depositories Regulation (CSDR).

Section 4

Cooperation and exchange of information between authorities

The Ministry of Finance, the Bank of Finland and the Financial Supervisory Authority shall exchange information for the purpose of carrying out their duties as authorities referred to in this Act and in the CSDR.

PART II

ACTIVITIES OF A CENTRAL SECURITIES DEPOSITORY, CENTRAL COUNTERPARTY, SETTLEMENT AGENT AND ACCOUNT OPERATOR

Chapter 2

Authorisation, owners, governance and activities of a central securities depository as well as a central counterparty

Section 1

Authorisation and commencement of the activities of a central securities depository

The activities of a CSD or the operation of a settlement system may not be carried out without an authorisation.

The competent authorisation authority referred to in Article 11(1) of the CSDR is the Ministry of Finance.

Provisions on conditions and procedures for authorisation of CSDs are laid down in Articles 16–21 of the CSDR.

In addition to carrying out settlement activities, a CSD may act as a settlement agent subject to the conditions laid down in the authorisation.

A CSD shall have a registered office in Finland.

Provisions on appeal on the ground that the Ministry of Finance has not made an authorisation decision within the time limit laid down are laid down in chapter 8, section 8, subsection 2.

The Ministry of Finance shall, prior to deciding on a matter pertaining to an authorisation, request the opinion of the Bank of Finland and the Financial Supervisory Authority on the application.

Having heard an applicant for an authorisation, the Ministry of Finance has the right to impose limitations to and conditions on the authorisation that pertain to the business of the CSD, that pertain to ancillary services referred to in Section B of the Annex to the CSDR or that are necessary for supervision or the stability of the financial markets.

Unless otherwise provided in the conditions of the authorisation, a CSD may commence its activities as soon as the authorisation has been granted and the rules of the CSD have been confirmed. If the authorisation is granted to a company to be established, the activities may commence once the company has been registered.

Section 2

Authorisation of a European company

An authorisation to act as a CSD shall also be granted to such a European company referred to in Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE), hereinafter *the SE Regulation*, that has been granted a corresponding authorisation in another EEA Member State and intends to transfer its registered office to Finland in accordance with Article 8 of the SE Regulation. The Ministry of Finance shall request the opinion of the authority supervising the securities markets of the Member State concerned on the authorisation application. A transfer of a registered office may not be registered before the granting of the authorisation. The same applies to the formation of a European company by merger in a manner whereby the acquiring company having its registered office in another Member State is registered as a European company in Finland.

Section 3

Tasks of a central securities depository

A CSD operates the book-entry system referred to in this Act.

If a CSD carries out activities referred to in Section C of the Annex to the CSDR, the CSD shall have an authorisation of a credit institution specified in the Act on Credit Institutions (610/2014).

Section 4

Authorisations granted by the Financial Supervisory Authority

Authorisations to establish a link with a foreign CSD referred to in Article 48 of the CSDR are granted to CSDs by the Financial Supervisory Authority.

In addition, the Financial Supervisory Authority grants authorisations to CSDs to outsource core services referred to in Section A of the Annex to the CSDR.

Section 5

Financial capacities and acquisition of shares

Provisions on the financial capacities of a CSD are laid down in Article 47 of the CSDR and on the acquisition of a CSD's shares in Article 27(7) of the CSDR.

The provisions concerning the acquisition of a CSD's shares referred to in subsection 1 also apply to an entity that exercises control in a CSD in a manner referred to in chapter 2, section 4 of the Securities Markets Act (*a holding company of a CSD*).

Section 6

Transfer of the registered office of a central securities depository in the European Economic Area

If a CSD intends to transfer its registered office to another EEA Member State in accordance with Article 8 of the SE Regulation, the CSD shall submit to the Financial Supervisory Authority a copy of the transfer proposal referred to in Article 8(2) and of the report referred to in Article 8(3) of the SE Regulation immediately after the CSD has declared the proposal for registration.

The registration authority may not issue a certificate referred to in section 9, subsection 5 of the Act on the European Companies (742/2004) if the Financial Supervisory Authority has notified the registration authority prior to the granting of the permission referred to in subsection 2 of that section that the CSD has not complied with the provisions on the transfer of the registered office or the termination of operations in Finland. Permission may be granted before one month has elapsed from the due date referred to in chapter 16, section 6, subsection 2 of the Limited Liability Companies Act only if the Financial Supervisory Authority has notified that it does not object to the transfer of the registered office.

Section 7

Participation of a central securities depository in a merger or a division in the European Economic Area

If a CSD participates in a cross-border merger or a cross-border division in the European Economic Area, the registration authority may not issue a certificate relating to such a merger referred to in section 4, subsection 3 of the Act on the European Companies or in chapter 16, section 26, subsection 4 of the Limited Liability Companies Act or a certificate relating to a division referred to in chapter 17, section 25, subsection 4 of the Limited Liability Companies Act if the Financial

Supervisory Authority has notified the registration authority prior to the granting of the permission that the CSD has not complied with the provisions on mergers or divisions or the termination of operations in Finland. Permission may be granted before one month has elapsed from the due date referred to in chapter 16, section 6, subsection 2 or in chapter 17, section 6, subsection 2 of the Limited Liability Companies Act only if the Financial Supervisory Authority has notified that it does not object to the merger, the division or the transfer of the registered office relating to the establishment of a European company.

Section 8

Organisation of the activities of a central securities depository

Provisions on the organisation of the activities of a CSD are laid down in Article 26 of the CSDR.

In addition to the provisions laid down in Article 26 on the identification of any conflicts of interest, a CSD shall in particular take into account any conflicts of interest that may affect the reliable performance of the supervisory task laid down for the CSD in section 13 of this chapter.

While a CSD is carrying out its tasks laid down in this Act, the Administrative Procedure Act (434/2003), the Act on the Openness of Government Activities (621/1999), the Language Act (423/2003) or the Sámi Language Act (1086/2003) do not apply to its activities. In that context, nor do provisions on criminal liability as a public official apply to a member of a management body or an employee of the CSD.

Section 9

Safeguarding of settlement activities

A CSD's exposure arising from settlement activities shall be covered at all times using collateral required from settlement agents.

A CSD shall have a settlement fund if the settlement activities involve the netting of settlement or payment obligations relating to securities as referred to in the Act on Certain Conditions of Securities and Currency Trading as well as Settlement Systems (1084/1999). The settlement fund may be used to cover any losses arising from settlement activities and to discharge an obligation of the CSD or settlement agent resulting from settlement activities where the CSD or settlement agent itself fails to discharge the obligation. Contributions are paid to the settlement fund by the settlement agents that participate in the netting. The provisions of this Act on the registration fund of a CSD, its rules, asset management and refund of profit and assets apply to the administration,

rules, asset management as well as refund of proceeds and assets of the settlement fund. The fund may be recognised as a separate item of equity on the CSD's balance sheet. Assets shall be transferred to the settlement fund as laid down in the rules of the fund and the rules of the CSD or, if the fund is recognised on the CSD's balance sheet, as specified in the articles of association. The CSD's general meeting of shareholders may decide that a certain amount of the unrestricted equity shown on the balance sheet is to be transferred to the settlement fund. The rules of a CSD may further provide that the settlement agents must pay contributions to the settlement fund. Assets of the settlement fund may be refunded to the settlement agents or used for the distribution of profit only by permission of the Financial Supervisory Authority or if the CSD is dissolved.

In order to safeguard its activities, a CSD may conclude an agreement with the settlement agents on the sharing of any losses arising from settlement activities. In the agreement, the liability of a settlement agent may be limited to apply only to part of the settlement activities. A maximum amount may be determined for the liability of a settlement agent.

Confirmation of the Ministry of Finance shall be applied for the agreement. The Ministry shall, prior to confirmation of the agreement, request the opinion of the Bank of Finland and the Financial Supervisory Authority on the matter. A settlement agent may cover its commitment to a loss-sharing agreement in part or in full by taking out an insurance policy or by placing a guarantee safeguarding the settlement activities.

The CSD's own assets, any loss-sharing agreement, the settlement fund as well as the collateral deposited, insurance taken out and guarantees placed in favour of the CSD as well as any other measures taken in advance and safeguarding the settlement activities shall together be sufficient to ensure the reliability of the settlement activities.

Section 10

International cooperation

In addition to the links between a CSD and another market infrastructure laid down in Articles 48, 50, 51 and 53 of the CSDR, a CSD shall operate in cooperation with securities depositories and custodians.

A CSD maintains the accounts and lists required by international cooperation in the book-entry register. Provisions on the cooperation are laid down in the rules of the CSD.

Section 11

Close link of a central securities depository

A close link between a CSD and another legal person or natural person must not prevent the effective supervision of the CSD. Nor may effective supervision be prevented by legislative or administrative provisions of a third country applicable to a natural person or legal person with such a link.

After the granting of the authorisation, the Financial Supervisory Authority shall immediately be notified of any changes to the information relating to close links declared in the authorisation application.

In this section, a close link refers to links provisions on which are laid down in chapter 5, section 12 of the Act on Credit Institutions.

Section 12

Preparedness of a central securities depository

A CSD shall ensure the maintenance of the records in the book-entry system with minimum disturbance also in exceptional circumstances by using adequate information systems located in Finland or by other arrangements that are adequate with regard to the continuity of activities, as well as by participating in financial market contingency planning, by preparing in advance the actions to be taken in exceptional circumstances and by taking other corresponding measures.

If the requirements laid down in subsection 1 require actions that clearly differ from the activities of a CSD to be regarded as normal and that give rise to material additional costs, such costs may be reimbursed from the National Emergency Supply Fund referred to in the Act on Measures Necessary to Secure Security of Supply (1390/1992).

Section 13

Supervisory task of a central securities depository

A CSD shall arrange adequate and reliable supervision to ensure compliance with this Act and the provisions issued under this Act as well as with the rules of the CSD within the book-entry system and in settlement activities.

A CSD shall inform the Financial Supervisory Authority of any conduct that is manifestly in breach of the provisions referred to in subsection 1 or of the CSD's rules, unless the conduct is rectified without delay or unless the state of the matters is otherwise corrected. A report shall, however, always be submitted if the breach of provisions, regulations or rules has been material or recurrent.

Account operators and other parties using the services of a CSD shall, on request, submit to the CSD the detailed information necessary for the fulfilment of the supervisory obligation under this section.

Section 14

Rules of a central securities depository

Provisions on the rules of a CSD are laid down in Article 26(4) and Article 43 of the CSDR.

In addition to the provisions of the provisions specified in subsection 1, the rules shall prescribe at least on:

- 1) the rules and principles relating to the exchange of information between the CSD, account operators and settlement agent as well as on the distinctive codes used in the identification of the book entries and the holders of rights and on other common practices required for the book-entry system;
- 2) the minimum opening hours of account operators and settlement agents;
- 3) the procedure to be complied with in the rectification of any errors and discrepancies occurring in recording of entries;
- 4) the information security and data file security procedures to be complied with in the activities of account operators as well as on the retention of the documents or their copies relating to decisions made by account operators;
- 5) the granting of the rights of an account operator and a settlement agent and the information required when applying for it;
- 6) the manner of and the grounds for approval as and the revocation of the rights of an account operator and a settlement agent;

- 7) the manner of carrying out the supervisory tasks laid down for a CSD by law;
- 8) the distribution of competences between the board of directors and the managing director regarding decision-making supplementing the rules;
- 9) amendments to the rules and notifications of amendments;
- 10) the type of securities transactions and other deliveries accepted for settlement;
- 11) how and when settlement is carried out;
- 12) how the obligations arising from a securities transaction or other transfer are determined in settlement;
- 13) the moment when an obligation referred to in paragraph 12 is deemed entered for settlement;
- 14) how the CSD is responsible for the discharge of the obligations referred to in paragraph 12;
- 15) how the obligations referred to in paragraph 12 must be discharged;
- 16) how the liquidity of the CSD is secured;
- 17) how the collateral securing the settlement activities referred to in section 9 is deposited;
- 18) how the risk of loss resulting from settlement activities is covered;
- 19) how settlement activities take place in abnormal situations or when a settlement agent neglects its settlement obligations;
- 20) how the settlement agents are responsible for settlement activities;
- 21) the special requirements imposed on an entity acting as an agent on behalf of a settlement agent;
- 22) the more specific requirements imposed on an entity the obligations determined by which and arising from securities transactions are discharged in the settlement system;

23) how the CSD may pursue settlement of securities lending and repurchase agreements or net in its activities obligations in accordance with the Act on Certain Conditions of Securities and Currency Trading as well as Settlement Systems;

24) which national law governs the settlement activities.

Section 15

Confirmation of the rules of a central securities depository

The rules of a CSD are confirmed on application by the Ministry of Finance. The rules shall be confirmed if they are in compliance with this Act and if, on the basis of the information received, it can be regarded as likely that they will ensure the reliable organisation of CSD and settlement activities and operation of the book-entry system.

A decision on the application shall be given within three months of its receipt or, if the application has been incomplete, from the date on which the applicant has submitted the documents and information necessary for deciding the matter. The decision shall, however, always be made within six months of receipt of the application. The Ministry of Finance shall, prior to confirming the rules, request the opinion of the Bank of Finland and the Financial Supervisory Authority on the application. If the opinion of the Bank of Finland is negative with regard to matters relating to the statutory duties of a bank, the rules shall not be confirmed in that respect.

The Ministry of Finance may, in order to enhance confidence in the book-entry system and settlement activities or for another particularly weighty reason, order the contents of the provisions of the rules it has confirmed to be amended or supplemented. The Ministry of Finance shall, prior to issuing the order, request the opinion of the Bank of Finland and the Financial Supervisory Authority on the matter.

If an important public interest requires that settlement be organised and the rules concerning settlement or an amendment to the rules have not been confirmed due to the rejection of the application or for another reason, the Ministry of Finance may order that settlement be organised.

An account operator and a settlement agent shall undertake to comply with the rules of the CSD. An issuer of a book entry shall undertake to comply with the rules of the CSD before a book entry may be incorporated into the book-entry system on application by the issuer.

Section 16 (1079/2017)

Personal transactions

If a CSD provides investment services in the manner referred to in Article 73 of the EU Central Securities Depositories Regulation, the provisions of chapter 7, section 2, subsection 2 of the Act on Investment Services concerning personal transactions of the management, personnel and tied agents of investment firms shall apply to the personal transactions of the CSD's management and personnel.

Section 17

Obligation to file an insider declaration

An insider of a CSD referred to in subsection 2 shall, in compliance with section 18, file *an insider declaration* to the insider register referred to in section 19 concerning information pertaining to:

- 1) any shares traded on a regulated market or on a multilateral trading facility in Finland; or
- 2) any financial instruments the value of which is determined on the basis of shares referred to in paragraph 1.

An insider of a CSD means:

- 1) a member or deputy member of the board of directors or the supervisory board of a CSD, the managing director or deputy managing director of a CSD and an auditor, deputy auditor or key audit partner of an audit firm auditing the accounts of a CSD;
- 2) a person employed by a CSD other than a person referred to in paragraph 1 who, due to his or her position or duties, has access on a regular basis to insider information relating to shares or financial instruments referred to in subsection 1.

Section 18

Insider declaration

An insider of a CSD shall submit an insider declaration within fourteen days of the date on which he or she was appointed to a role referred to in section 17, subsection 2.

The insider declaration shall state:

- 1) any person without legal capacity whose guardian the insider is;
- 2) any entity or foundation in which the insider or a person without legal capacity referred to in paragraph 1 directly or indirectly exercises control;
- 3) any shares traded on a regulated market or on a multilateral trading facility in Finland, and any financial instruments the value of which is determined on the basis of the shares, owned by the insider as well as by any person without legal capacity referred to in paragraph 1 and any entity or foundation referred to in paragraph 2.

An insider shall, while in his or her role, within seven days, declare to the CSD:

- 1) any acquisitions and disposals of shares and financial instruments referred to in subsection 2, paragraph 3 when the change in ownership is at least EUR 5,000;
- 2) any other changes to the information referred to in this section.

The information referred to in subsection 2, paragraphs 2 and 3 need not be declared where it relates to a limited liability housing company, a limited liability joint-stock property company referred to in chapter 28, section 2 of the Limited Liability Housing Companies Act (1599/2009), a voluntary or an economic association or a non-profit institution. If an entity trades in financial instruments on a regular basis, the information relating to it shall, however, be declared.

The declaration shall contain the information necessary to identify the person, entity or foundation in question as well as the information relating to the shares and other financial instruments.

If the shares or financial instruments referred to in subsection 2, paragraph 3 have been incorporated into the book-entry system, the CSD may make an arrangement through which the information is available from the book-entry system. In this case, no separate declaration is required.

Section 19

Insider register of a central securities depository

A CSD shall keep a register of the insider declarations referred to in section 18 (*an insider register of a CSD*), indicating, with regard to each insider, any shares and financial instruments referred to in section 18, subsection 2 owned by the insider, by any person without legal capacity referred to

in section 18, subsection 2, paragraph 1 and by any entity or foundation referred to in section 18, subsection 2, paragraph 2 as well as an itemisation of any acquisitions and disposals.

If the declarations are submitted in accordance with section 18, subsection 6, the insider register of a CSD may, in that respect, be compiled of the information available from the book-entry system.

The maintenance of the insider register of a CSD shall be arranged in a reliable manner. Information entered in the register shall be retained for five years from the making of the entry. Everyone has the right to obtain, subject to charge at cost, extracts and copies of the information in the register. The personal identity code and address of a natural person as well as the name of a natural person other than an insider are, however, not public.

Subsection 4 was repealed by Act 1079/2017.

Section 20

Audit

Provisions on the audits of a CSD are laid down in Article 26(6) of the CSDR.

In addition to the provisions of Article 26, at least one of the auditors of a CSD shall be an authorised public accountant (KHT) referred to in chapter 1, section 2, paragraph 3 of the Auditing Act (1141/2015) or an audit firm referred to in chapter 1, section 2, paragraph 5 of the Act.

Section 21

Authority of the Financial Supervisory Authority to issue regulations

The Financial Supervisory Authority may issue further regulations concerning the identification and prevention of conflicts of interest for the performance of the supervisory tasks laid down for CSDs in section 13.

In addition, the Financial Supervisory Authority may issue further regulations on the contents and manner of submission of the insider declaration referred to in section 18, on the manner of entering information in and the contents of the insider register of a CSD referred to in section 19, and on the submission to and processing by a CSD of notifications referred to in section 22, subsection 1. (1079/2017)

Section 22

Reporting of infringements

A CSD shall have procedures that persons employed by the CSD can follow to report any suspected infringements of provisions and regulations applying to the CSD via an independent channel within the CSD. The personal data of the submitter of the report and the person subject to the report shall be kept secret, unless otherwise provided by law.

A CSD shall maintain a record of the necessary information referred to in subsection 1. The information shall be deleted five years after the submission of the report, unless the further retention of the information is necessary for a criminal investigation, initiated judicial proceedings or investigations by government authorities or to safeguard the rights of the person subject to the report. The necessity of the further retention of information shall be examined no later than after three years have elapsed since the previous review of the necessity of information retention. An entry shall be made of a review.

A data subject who is subject to a report has no right of access to the information referred to in subsections 1 and 2. At a data subject's request, the Data Protection Ombudsman has the right to access the information concerning the data subject referred to in subsections 1 and 2 to verify its legality.

The CSD shall take appropriate and adequate measures to protect those submitting a report.

Section 23

Authorisation and supervision of a central counterparty

The Ministry of Finance is the competent authority for a Finnish CCP referred to in Article 22(1) of the EMIR. Provisions on the status of the Financial Supervisory Authority as a competent authority supervising the activities of CCPs are laid down in section 50 d of the Act on the Financial Supervisory Authority. Provisions on the conditions and procedures for the authorisation of a CCP are laid down in Articles 14–21 of the EMIR.

Section 24

Activities of a central counterparty

Provisions on the activities of a CCP are laid down in the EMIR.

Section 25

Contractual arrangements to prepare for the default of a clearing member

Contractual arrangements in accordance with Article 48 of the EMIR concerning the transfer of assets and contracts belonging to a CCP's clearing member's clients to another clearing member may be implemented notwithstanding a bankruptcy, corporate restructuring, temporary discontinuation of the operations of a deposit bank or other procedure comparable to these affecting the first-mentioned clearing member.

Section 26

Application of the provisions of the chapter to a central counterparty

The provisions of section 15 on the confirmation of the rules of a CSD, of section 16 on personal transactions, of sections 17–19 on insider declarations and insider register, of section 20, subsection 2 on audits and of section 21 on the authority of the Financial Supervisory Authority to issue regulations apply to a Finnish CCP.

Chapter 3

Settlement agent and account operator

Section 1

Granting the rights of a settlement agent

Provisions on the granting and withdrawal of the rights of a settlement agent are laid down in Article 33 of the CSDR.

A CSD shall grant the rights of a settlement agent to the State of Finland, the Bank of Finland, a stock exchange as well as to such an investment service provider:

- 1) that has a permanent establishment in Finland;
- 2) that fulfils the requirements laid down for a settlement agent in this Act, the provisions and regulations issued under this Act as well as the rules of the CSD concerning settlement activities;
- 3) whose participation in settlement activities is not conducive to jeopardising the reliability of these activities or other activities of the CSD; and
- 4) whose share capital, cooperative capital or other corresponding capital is at least EUR 730,000.

In addition, the rights of a settlement agent shall be granted to:

- 1) a foreign investment service provider that has been granted an authorisation corresponding to the authorisation required of an investment service provider in Finland by an authority in the European Economic Area, that does not have a permanent establishment in Finland and that fulfils the conditions laid down in subsection 2, paragraphs 2–4;
- 2) a CCP that fulfils the conditions laid down in subsection 2, paragraphs 2–4; and
- 3) a foreign CSD.

Subject to conditions imposed by the Ministry of Finance, a CSD may grant the rights of a settlement agent also to another Finnish or foreign entity which meets the requirements of subsection 2, paragraphs 2–4 of this section and has sufficient capital adequacy and risk management. The conditions laid down by the Ministry of Finance shall require that the applicant entity submit to the CSD information corresponding, as appropriate, to the information which, under chapter 3, section 1 of the Act on Investment Services, shall be enclosed with an application for the authorisation of an investment firm. (1079/2017)

The Ministry of Finance shall, prior to making the decision referred to in subsection 4 to impose the conditions, request the opinion of the Bank of Finland and the Financial Supervisory Authority.

Section 2

Obligation to apply for the rights of a settlement agent

A CCP, obligations resulting from securities transactions cleared by which are regularly discharged in the settlement system operated by a CSD and activities of which may become of substantial importance for the stability of the financial markets, shall apply for the rights of a settlement agent in that CSD.

Section 3

Safeguarding the position of a settlement agent

A CSD shall ensure that, in the course of the CSD's activities, the settlement agents are not at risk of losing an executed performance without a counter-performance. A CSD may not discharge an obligation relating to a transaction or transfer to a settlement agent without ensuring that the settlement agent has discharged its own obligations relating to the transaction or transfer.

In order to carry out settlement activities, a CSD may open, in its own name, a cash account with the Bank of Finland, a foreign central bank, a deposit bank, a foreign credit institution or its branch so that payments by and to the settlement agents and their clients are received into and paid from that account. The assets in such an account do not belong to the CSD and shall be kept segregated from the CSD's assets in the CSD's accounting. The CSD shall keep up-to-date accounts as regards to whom the assets in the account belong.

Section 4

Obligation to ensure of a settlement agent

A settlement agent shall, by transfers of the custody of securities, by depositing a client's cash or cash equivalents in the manner referred to in chapter 9, section 1 of the Act on Investment Services, by a recording an entry in accordance with section 9 or 16 of the Act on Book-Entry Accounts or otherwise with due diligence ensure that the cash payment obligations arising from a transaction or other transfer or the securities settlement obligations can be discharged in accordance with the rules of the CSD.

Provisions on liability for damages are laid down in chapter 8, section 4.

Section 5

Right of pledge of a central securities depository and a settlement agent

A CSD has, as collateral for the discharge of obligations relating to a securities transaction submitted for settlement by a settlement agent and confirmed in accordance with the CSD's rules, the right of pledge to a book entry recorded as a result of a transaction in a commission account referred to in section 16 of the Act on Book-Entry Accounts and kept on behalf of the CSD, a settlement agent or an investment service provider. The CSD gains the right of pledge if it has made the payment relating to the book entries or assumed liability for it.

A settlement agent has the right of pledge to a book entry of a client recorded in a commission account kept on its own behalf or on behalf of an investment service provider represented by the agent as collateral for the discharge of the obligations arising from an order relating to the book entry in question if the settlement agent has made the payment relating to the book entries.

If the right of pledge referred to in subsections 1 and 2 pertains to the same book entries simultaneously, the holder of the right in accordance with subsection 1 receives payment of his or her claim before the holder of the right in accordance with subsection 2.

In the event of a failure to discharge an obligation pertaining to assets forming the object of pledge and referred to in subsection 1 or 2, the pledge holder may, in order to carry out the settlement, liquidate the pledged assets. If the pledge consists of a security or financial instrument traded on a trading venue referred to in chapter 1, section 2, subsection 1, paragraph 13 of the Act on Trading in Financial Instruments (1070/2017), the security or financial instrument may be liquidated on the trading venue. The legislative provisions restricting the rights of a pledge holder may also otherwise be derogated from in liquidation if the derogation does not unreasonably jeopardise the interests of the pledge owner, the debtor or other creditors. A settlement agent also has the right to liquidate if an investment service provider not acting as a settlement agent fails to discharge its obligations arising from the transaction to be settled. (1079/2017)

The provisions of this section on a book entry recorded in a commission account also apply to a sold or purchased security or financial instrument that has been deposited with a CSD or with a settlement agent for the settlement of the security or financial instrument transaction.

Section 6

Granting the rights of an account operator

A CSD shall grant the rights of an account operator to the State of Finland, the Bank of Finland, the central bank of another EEA Member State, a stock exchange referred to in the Act on Trading in Financial Instruments, a CCP, a foreign CSD as well as to such an investment service provider and such a settlement agent: (1079/2017)

- 1) whose activities planned fulfil the technical requirements necessary for the activities;
- 2) that, on the basis of its earlier activities or for other justifiable reasons, can be deemed to fulfil the requirements relating to the adequate legal competence and ethical standard necessary for the role;
- 3) whose activities planned do not jeopardise the reliable and appropriate functioning of the book-entry system and the book-entry register;
- 4) whose share capital, cooperative capital or other corresponding capital is at least EUR 730,000; and
- 5) that fulfils the other requirements laid down in the rules of the CSD.

A CSD shall also grant the rights of an account operator to a foreign investment service provider that has been granted an authorisation by an authority of another EEA Member State corresponding to the authorisation required of an investment service provider in Finland and that fulfils the requirements laid down in subsection 1.

A CSD may grant the rights of an account operator to an entity that acts on behalf of others and that fulfils the requirements laid down in subsection 1. An account operator may also outsource some of its activities to an entity that is not an account operator referred to in this section.

Subject to conditions imposed by the Ministry of Finance, a CSD may grant the rights of an account operator to another state, the central bank of a non-EEA Member State, an entity referred to in chapter 2, section 10 as well as to another foreign entity that fulfils the requirements laid down in subsection 1.

Subject to conditions imposed by the Ministry of Finance, a CSD may also grant the rights of an account operator to another entity that fulfils the requirements laid down in subsection 1, paragraphs 1, 3 and 5. In such a case, the entity only has the right to make entries in the book-entry register on its own account. The Ministry of Finance shall, prior to making a decision referred to in subsection 4 to impose the conditions, request the opinion of the Bank of Finland and the Financial Supervisory Authority.

The conditions referred to in subsections 4 and 5 decided by the Ministry of Finance shall require that the owners of the undertaking applying for the rights of an account operator can be deemed reliable. The provisions of chapter 3, section 4 of the Act on Investment Services apply to the assessment of reliability.

Section 7

Deciding on a matter relating to the granting of the rights of an account operator

A CSD shall decide on an application for the rights of an account operator within one month of its receipt. If the CSD requests further information from the applicant during this period, the time limit is calculated from the date on which the CSD receives the further information.

The CSD shall be impartial when granting the rights of account operators.

The CSD shall notify the Financial Supervisory Authority of its decision relating to the rights of an account operator without delay. An entity applying for the rights of an account operator shall have

the right to refer the decision of the CSD for consideration by the Financial Supervisory Authority within 30 days of having been notified of the decision. The Financial Supervisory Authority shall notify the CSD of any referral of the matter for consideration by the Financial Supervisory Authority.

Section 8

Withdrawal of the rights of an account operator

The CSD shall withdraw the rights of an account operator if the account operator no longer meets a requirement laid down in section 6, subsection 1, paragraphs 1–4 or if the Financial Supervisory Authority, in order to reinforce confidence in the book-entry system or for another particularly weighty reason, so decides.

A CSD may withdraw the rights of an account operator in full or in part if:

- 1) the activities of the account operator have involved a material violation of an act or provisions issued under an act, of the conditions or restrictions included in the decision on the rights of the account operator or of the CSD's rules;
- 2) the account operator has been inactive for six months;
- 3) the account operator's activities or part of them have not commenced within 12 months of the granting of the rights; or if
- 4) materially false or incomplete information on matters relevant to the account holder's activities was given when applying for the rights.

Once the rights have been withdrawn, the CSD immediately takes over the recording of entries from the account operator. The CSD shall, without delay, see to the termination of the recording of entries by the account operator.

The CSD shall, without delay, inform the Financial Supervisory Authority of its decision relating to the withdrawal of the rights of an account operator. An account operator whose rights have been withdrawn has the right to refer the decision of the CSD for consideration by the Financial Supervisory Authority within 30 days of having been notified of the decision. A decision of the CSD that has been referred for consideration by the Financial Supervisory Authority remains, notwithstanding its referral for consideration, in force until further notice unless the Financial

Supervisory Authority decides otherwise or unless otherwise provided elsewhere on the matter. The Financial Supervisory Authority shall notify the CSD of any referral of the matter for consideration by the Financial Supervisory Authority.

Section 9

Restriction of the activities of an account operator

Instead of withdrawing the rights, a CSD may restrict the activities of an account operator if this can be deemed a sufficient measure.

A CSD may restrict the activities of an account operator for a fixed period if incompetence or carelessness has been found in the activities of the account operator or if it is evident that the activities of the account operator jeopardise the stable operation of the book-entry system or of the book-entry register or the interests of the investors.

The provisions of section 8, subsection 4 on a decision on the withdrawal of the rights of an account operator also apply to a decision on the restriction of the rights of an account operator.

Section 10

Central securities depository as an account operator

A CSD may act as an account operator of a book-entry account.

Section 11

Application of conduct of business provisions concerning investment services to a settlement agent and an account operator

The provisions of chapter 7, section 2, subsection 2 of the Act on Investment Services concerning personal transactions, of section 9 of the Act concerning the management of conflicts of interest, of chapter 9, section 1 the Act concerning the duty of the investment firm to keep client assets segregated, and of chapter 10, section 9 the Act concerning the handling of orders also apply to a settlement agent and an account operator. (1079/2017)

The provisions of Article 16(2) of Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC on the notification obligation of an investment service provider relating to market

abuse and the provisions of section 71b of the Act on the Financial Supervisory Authority on limitation of liability in the context of provision of information to the Financial Supervisory Authority also apply to a settlement agent and an account operator.

Section 12

Authority of the Financial Supervisory Authority to issue regulations

The Financial Supervisory Authority may issue further regulations regarding:

- 1) procedures relating to the management of conflicts of interest referred to in section 11, subsection 1;
- 2) personal transactions referred to in section 11, subsection 1;
- 3) the procedure to be applied in the execution of orders referred to in section 11, subsection 1.

The Financial Supervisory Authority may issue further regulations on the keeping of client assets segregated in the accounts opened by a CSD referred to in section 3, subsection 2 and on the safeguarding of the position of the client in settlement activities as well as on the contents and manner of submission of a notification related to market abuse referred to in section 11, subsection 2.

PART III

THE BOOK-ENTRY SYSTEM

Chapter 4

The book-entry system, nominee registration as well as a registration fund and a settlement fund

Section 1

Book entry

No share certificate, debt instrument or other such physical certificate relating to the existence and contents of a right is issued for a book entry. Book entries are not numbered.

The provisions laid down on securities in this Act or elsewhere by law also apply to book entries.

Section 2

Book-entry accounts

Book entries as well as the rights and restrictions pertaining to them shall be recorded in book-entry accounts kept in the book-entry register. Provisions on book-entry accounts are laid down in the Act on Book-Entry Accounts.

The provisions on the issue and disposal of a security laid down in this Act or elsewhere by law also apply to the recording of a book entry in a book-entry account.

Section 3

Lists

A CSD shall, on behalf of issuers, keep issuer-specific shareholder registers and other corresponding lists of owners of the following book entries belonging to the book-entry system:

- 1) a share or other unit of interest in the equity of an entity or a related right to dividend, interest or other proceeds or to subscription;
- 2) a combination of rights specified in paragraph 1 and in subsection 2, paragraph 1;
- 3) a fund unit or an equivalent unit in an undertaking for collective investment in transferable securities.

A CSD shall keep lists of the owners of the following book entries within the book-entry system:

- 1) a unit in a bond or an equivalent obligation of a debtor or the right to interest or other proceeds connected to the unit or obligation;
- 2) a right to purchase or sell relating to rights specified in paragraph 1 and subsection 1, paragraphs 1 and 2;
- 3) a right other than one specified in paragraph 1 or 2 based on a contract or an obligation.

A CSD shall also keep a list of the numbers of the book entries referred to in subsection 2.

Information about the lists kept on behalf of issuers referred to in subsection 2 above shall, on request, be disclosed to a representative of bondholders. (581/2017)

Section 4

Nominee registration

If a book entry has been recorded in a custodial nominee account referred to in section 5a of the Act on Book-Entry Accounts or in a commission account referred to in section 16 of that Act, the nominee shall be entered in the list referred to in section 3 instead of the owner. The nominee may be entered in the list instead of the owner also when a book entry is owned by a foreign person or a foreign entity or foundation. A nominee may be an account holder of a commission account or a CSD, an account operator or another entity referred to in section 5a, subsection 3 of the Act on Book-Entry Accounts that may be granted the right to act as an account holder of a custodial nominee account.

Nominee-registered shares or other book entries referred to in section 3, paragraph 1 do not provide entitlement to the exercise of the rights of the owner as an owner of a book entry vis-à-vis the issuer other than the right to withdraw assets, convert or exchange the book entry and to participate in a share issue or other issue of book entries.

On request, the nominee shall notify the Financial Supervisory Authority of the name of the beneficial owner of the book entries, where this is known, and the number of book entries held by the owner. If the name of the beneficial owner of the book entries is not known, the nominee shall notify the corresponding information on the representative acting on behalf of the owner as well as to submit a written declaration by that representative to the effect that the beneficial owner of the book entries is not a Finnish natural person or a Finnish entity or foundation. Information on book entries referred to in section 3, paragraph 1 shall, on request, also be given to the issuer. An institution referred to in chapter 2, section 10 acting on behalf of the owner is, however, not obliged to submit a written declaration with regard to book entries referred to in section 3, paragraph 2.

Section 5

Registration fund

For the purpose of securing the fulfilment of the liability obligations of an account operator concerning damages laid down in the Act on Book-Entry Accounts, the board of directors of a CSD shall establish a fund (*the registration fund*).

Section 6

Secondary liability for damages payable by an account operator

If an account operator fails to fulfil its liability for damages laid down in the Act on Book-Entry Accounts, the injured party has the right to receive compensation from the registration fund. In that case, the registration fund has the right to collect the compensation it has paid from the party liable to pay the compensation.

Section 7

Contribution payment

The account operators shall make contribution payments to the registration fund. The rules of the registration fund may provide that the State of Finland, another state, the Bank of Finland and a foreign central bank are not obliged to pay contributions. Contributions shall be collected to the registration fund so that the capital of the registration fund is at least 0.0048% of the average of the total market value of the book entries kept in the book-entry system over the past five years but not less than EUR 20 million.

The account operators shall pay contributions in such a way that the proportion pertaining to each account operator obliged to contribute shall correspond to its proportion of the liabilities to be covered by the registration fund in a manner to be determined in the rules of the registration fund. The contributions shall be based on the number of entries recorded in the book-entry system, the amount of these entries in euros as well as on the market value of the book entries kept. The calculation principle for the payment shall be equal to each group of account operators obliged to contribute to be determined in the rules of the registration fund.

By derogation from subsection 1 above, an account operator that becomes a member of the registration fund after the capital of the fund has been raised to the minimum amount laid down in subsection 1 shall, upon joining the fund, pay as an advance contribution 1.5% of the minimum capital of the fund. The advance contribution is accredited to the account operator when the decision is made in accordance with section 8 on the amount of the contribution of the account operator.

Section 8

Contribution determination and asset management of the registration fund

The registration fund shall semiannually and in the manner laid down in the rules of the fund determine the minimum assets of the registration fund to be collected as contributions as well as the amount of the contribution of each account operator obliged to contribute.

The cash and cash equivalents of the registration fund shall be invested prudently and in a manner safeguarding the liquidity of the registration fund. Any proceeds from the cash and cash equivalents of the registration fund shall be added to the capital of the registration fund after deducting from the proceeds the necessary administrative costs arising from the management of the fund. The cash and cash equivalents of the registration fund may not be invested in real estate or in a share or another security which alone or together with other securities produces a right of possession to an apartment or a part of real estate.

An account operator that has paid the contribution has the right to exchange an asset used for the payment of the contribution to another in a manner to be determined in the rules of the registration fund. The proportion of the payments of the party obliged to contribute may not, however, decrease as a result.

If the capital of the registration fund falls below the minimum capital laid down in section 7, subsection 1 as a result of compensation paid to an injured party or of a refund referred to in section 15, subsection 2, the capital shall be increased again to the level of the minimum capital within three months of the payment of the compensation or refund.

The registration fund may take out a loan in the manner laid down in the rules if its own assets are not sufficient to cover the liabilities of the fund.

Section 9

Rules and administration of the registration fund

The rules of the registration fund are confirmed on application by the Ministry of Finance. The Ministry of Finance shall, prior to confirming the rules, request the opinion of the Bank of Finland and the Financial Supervisory Authority on the confirmation of the rules.

The rules shall state:

- 1) the name and domicile of the fund;
- 2) the criteria for determining the contributions to be collected to the fund;
- 3) the procedure for increasing the total amount of the contributions to be collected to the fund and for deciding on the amount of the contribution of an account operator obliged to pay;
- 4) the assets acceptable as contributions in addition to cash and the valuation principles of these items;
- 5) the procedure for the payment of compensation from the fund;
- 6) the basic principles for the investment of the assets of the fund and the borrowing of the fund;
- 7) the grounds for the payment of annual proceeds of the fund and the refund of assets of the fund to an account operator obliged to contribute;
- 8) the accounting period of the fund;
- 9) the number, manner of election and term of the authorised public accountants or audit firms;
- 10) the procedure for making and notifying of amendments to the rules.

The fund is managed by the board of directors the CSD in compliance with the provisions on its administration laid down in the rules of the fund.

Section 10

Payment obligation of the registration fund

If an account operator has not paid a clear and undisputed claim of an injured party payable by the account operator under the Act on Book-Entry Accounts, the injured party may notify the Financial Supervisory Authority of the matter.

The Financial Supervisory Authority shall, within 21 days of receipt of a notification referred to in subsection 1 or after being otherwise informed of the matter, decide whether the registration fund is liable to pay the claims of the injured party. A condition for the imposing of the obligation to compensate is that the non-payment of the claim referred to in subsection 1 has resulted from the placing of the account operator in bankruptcy or in corporate restructuring or from its other

insolvency which the Financial Supervisory Authority does not deem temporary and on which an adequate report has been received.

The Financial Supervisory Authority shall notify the registration fund, the account operator, the Ministry of Finance and the CSD of its decision referred to in subsection 2.

For the implementation of a decision of the Financial Supervisory Authority referred to in subsection 2 above and for the making of compensation decisions relating to individual injured parties, an account operator shall, where necessary, submit to the registration fund and the Financial Supervisory Authority information on all holders of rights registered in the account and their claims referred to in subsection 1.

Section 11

Claims subject to compensation

The amount of compensation to be paid from the assets of the registration fund to the same injured party is the amount of the claim for compensation payable to the injured party by the same account operator but not more than EUR 25,000. The liability of the registration fund to pay damages relating to the same case of loss or damage is a maximum of EUR 10 million.

Compensation from the registration fund is paid to natural persons before any other injured parties.

The compensation payable to an injured party shall be calculated in accordance with the market value of the date on which the Financial Supervisory Authority made the decision in accordance with section 10, subsection 2 or on which the account operator was placed in insolvency proceedings, whichever is the earlier. The compensation is paid to an injured party with full entitlement to claims held by the account operator. If the compensation to be paid has several joint owners, the proportion due to each joint owner is taken into account when calculating the compensation to be paid to the injured party.

Assets acquired through criminal acts for which the injured party or its representative has been sentenced for money laundering under chapter 32, section 6, aggravated money laundering under chapter 32, section 7, conspiracy for the commission of aggravated money laundering under chapter 32, section 8, negligent money laundering under chapter 32, section 9 or a money laundering violation under chapter 32, section 10 of the Criminal Code of Finland (39/1889) cannot be compensated for from the registration fund.

Section 12**Payment of compensation**

The registration fund shall pay the claims of injured parties without undue delay and in any event no later than within three months of a decision of the Financial Supervisory Authority referred to in section 10, subsection 2. If the account operator has, prior to a decision referred to in section 10, section 2, been placed in liquidation, corporate restructuring or bankruptcy, the time period is calculated from the decision on placing into liquidation, company restructuring or bankruptcy. Interest for late payment under section 4 of the Interest Act (633/1982) shall be paid on an outstanding claim from the date on which the Financial Supervisory Authority made the decision referred to in section 10, subsection 2 of this Act.

On special grounds, the Financial Supervisory Authority may grant the registration fund an extension not exceeding three months to the time period for the payment of the claims of the injured parties. Notwithstanding any extension granted, the registration fund shall, however, pay the compensation without delay if a delay in the payment of the compensation would be unreasonable to the party receiving the compensation.

If the registration fund has not compensated a claim of an injured party within the time period laid down in subsection 1 or 2, a claim has arisen for the injured party that the injured party may claim from the registration fund.

If a charge against the injured party or his or her representative has been brought for an offence specified in section 11, subsection 4, the registration fund may, notwithstanding the provisions of subsections 1 and 2, defer any payment until a decision by a court of law on the matter.

Section 13**Notification obligation of the registration fund**

The registration fund shall notify all the clients of the account operator in question in writing of a decision of the Financial Supervisory Authority referred to in section 10, subsection 2. The registration fund shall also, by a public notice, notify of the measures which the injured parties must take in order to safeguard their claims. The notice shall also be published in the official languages of the area in the biggest daily newspapers appearing in the operating area of the account operator.

The registration fund may impose a time period of at least six months within which the injured parties must take measures in order to safeguard their claims. An expiry of any time limit imposed may not, however, result in refusal of payment of compensation to an injured party who, for a compelling reason, has not been able to supervise the enforcement of his or her right to claim.

Section 14

Settlement fund

Provisions on the obligation of a CSD to establish a settlement fund are laid down in chapter 2, section 9, subsection 2.

The registration fund and the settlement fund may, if authorised by the Ministry of Finance and in order to promote rational and efficient asset management, be combined into a single fund. A combination may not reduce the ability of the CSD to meet its liabilities and the payment obligation of the entities contributing to the funds may not increase from what the obligation would be if the funds were separate.

Section 15

Proceeds of the registration fund and refunding of assets

The proportion pertaining to an account operator that has paid a contribution may be included in the assets of the account operator. An account operator does not, however, have the right to demand that its proportion of the registration fund be separated for it or to assign it to another party except in the case referred to in subsection 2.

If the activities resulting in the obligation to contribute are terminated, the registration fund shall, in the manner determined in the rules, on request, refund to the account operator its relative proportion of the assets of the fund that it has paid to the fund. The refund may be effected at the earliest when three years have elapsed since the termination of the activities resulting in the obligation to contribute.

Any claims of the holders of rights who have sustained loss or damage due to the activities of an account operator are covered by the registration fund until the refund of the contributions of the account operator. The proportion to be refunded is not included in the capital of the fund and may not be used to pay claims incurred after the termination of the activities of the account operator.

Section 16

Referral of a matter for consideration by the Financial Supervisory Authority

An account operator has the right to refer a decision made by the registration fund under this Act for consideration by the Financial Supervisory Authority within 30 days of having been notified of the decision.

Chapter 5

Incorporation of a security and a financial instrument into the book-entry system

Section 1

Book entries referred to in Article 3 of the EU Central Securities Depositories Regulation (CSDR)

Provisions on transferable securities which are admitted to trading or traded on trading venues are laid down in Article 3 of the CSDR.

The provisions of chapter 10 of the Act on Common Funds (48/1999) apply otherwise to the incorporation of common fund units into the book-entry system.

The rules of a CSD may provide that also a share other than a share of a Finnish limited liability company referred to in subsection 1 may be incorporated into the book-entry system. In such cases, the provisions of this chapter and chapter 6 apply to the incorporation procedure. Further provisions on the procedure shall be issued in the rules of the CSD. A share or unit which either alone or together with other shares or units produces a right of possession to a specific apartment or a part of real estate may, however, not be incorporated into the book-entry system.

Section 2

Book entries other than those referred to in Article 3 of the EU Central Securities Depositories Regulation (CSDR)

On application by the issuer, a CSD may accept a security or a financial instrument other than a security referred to in section 1 for incorporation into the book-entry system. Prior to making the decision, a CSD shall notify the Bank of Finland of the matter if the application is significant to the performance of the statutory duties of the Bank of Finland.

In its decision, the CSD shall determine the date from which the security or financial instrument may be incorporated into the book-entry system. The CSD may in its decision issue further

provisions on the information to be recorded in the book-entry system as well as on the recording procedure regarding the moment when a security or financial instrument is incorporated into the book-entry system. Prior to making the decision, the CSD shall verify that the issuer has, in an agreement concluded with one or several of account operators or otherwise, ensured that all the owners of the security or financial instrument have the opportunity to have their rights recorded in the book-entry system.

From the date referred to in subsection 2 above, the owner of a security or financial instrument or his or her representative may apply to the account operator designated by the issuer for the recording of his or her ownership rights. The applicant shall deliver the security or financial instrument to the account operator and prove that he or she has the right under the Promissory Notes Act (622/1947) or an equivalent right to dispose of the security or financial instrument. The account operator shall record the security or the financial instrument in the book-entry account notified by the applicant in compliance with the provisions of the Act on Book-Entry Accounts.

An endorsement shall be placed on the physical security or financial instrument delivered to the account holder to indicate its incorporation into the book-entry system.

The provisions of this section on a financial instrument also apply to a right referred to in chapter 1, section 3, subsection 1 equivalent to a financial instrument.

Section 3

Foreign securities other than those referred to in Article 3 of the EU Central Securities Depositories Regulation (CSDR)

A CSD may incorporate into the book-entry system a foreign security other than one referred to in section 1 or a right pertaining to or based on it that is handled in a foreign system. The securities or rights relating to the book entries to be incorporated shall, on the basis of an agreement between the CSD and the foreign institution, be recorded in the foreign system in the account of the CSD or separated in another manner for the owners of the book entries. The total number of incorporated book entries shall correspond to the total number of securities or rights separated in the foreign institution. The book entries may be incorporated into the book-entry system notwithstanding the provisions concerning an issuer of this Act and the Act on Book-Entry Accounts. Provisions on the incorporation procedure shall be issued in the rules of the CSD.

A CSD may, on application by an issuer, approve the incorporation into the book-entry system of a foreign security or a right pertaining to or based on it. If a certificate of the right has been provided concerning the book entry to be incorporated and the certificate is not invalidated in conjunction with the incorporation, the CSD shall ensure that the certificate is not circulated simultaneously with the book entry. The same applies to a right pertaining to or based on a foreign security to be incorporated into the book-entry system. Prior to incorporating a foreign security into the book-entry system, the CSD must be able to make sure that the incorporation and the handling of the book entries can take place without jeopardising the reliable and appropriate operation of the book-entry system and the protection of investors. Provisions on the incorporation procedure shall be issued in the rules of the CSD.

Section 4

Issue account

An issue account shall be opened upon the incorporation of a book entry into the book-entry register.

The same information that, under law, is to be entered on the security issued for the book entry in question as well as the amount to be issued shall be recorded in the issue account. With regard to book entries referred to in chapter 4, section 3, subsection 2, paragraph 1 above, the issue account shall also contain information on the due dates, any collateral for the loan, the interest or other possible compensation payable on the loan, the repayment terms of the loan and other essential terms of the loan.

With regard to a book entry referred to in section 3, subsection 1 above, the issue account shall contain information on the amount to be incorporated into the book-entry system, the foreign identification code of the book entry as well as information on the type of right carried by the book entry, the foreign institution referred to in chapter 2, section 10 where the security relating to the book entry or the right pertaining to or based on is kept, as well as information on the issuer of the security.

Section 5

Removal of a security and a financial instrument from the book-entry system

A CSD may remove from the book-entry system securities and financial instruments incorporated into the system on application by the issuer provided that the rights of the holders of rights to the securities and financial instruments are not jeopardised.

A CSD may remove from the book-entry system securities and financial instruments incorporated into the system on its own initiative if the issuer is insolvent or has materially breached its obligations relating to the book-entry system or for another particularly weighty reason equivalent to these. A further condition is that that the removal does not jeopardise the rights of the holders of the rights to the securities and financial instruments.

Prior to the removal of securities and financial instruments from the book-entry system, the CSD shall submit to the Financial Supervisory Authority a report on the fulfilment of the conditions referred above to in this section. The securities or financial instruments may be removed from the book-entry system if the Financial Supervisory Authority has not, within three months of the submission of the report, notified that it objects to the removal.

Further provisions on the removal of a security and a financial instrument from the book-entry system shall be issued in the rules of the CSD.

The provisions of this section on a financial instrument also apply correspondingly to a right referred to in chapter 1, section 3, subsection 1 equivalent to a financial instrument.

Chapter 6

Shares and units recorded in the book-entry system

Section 1

Scope of application

This chapter applies to limited liability companies and cooperatives registered under Finnish law whose shares and units are recorded in the book-entry system.

The provisions of this chapter on the shares and units of a limited liability company and a cooperative recorded in the book-entry system also apply to shares incorporated into a foreign book-entry system. If the shares or units have been incorporated into a foreign book-entry system, the said book-entry account refers to in this Act to an account offered in a service referred to in point (2) of Section A of the Annex to the CSDR.

Section 2

Agreement to be entered into with a foreign central securities depository on the disclosure of information concerning owners of shares or units to authorities

To ensure the implementation of an authority's statutory duty, a limited liability company or a cooperative shall enter into an agreement with a foreign CSD under which the CSD, an entity in the same group as the CSD or a party to the CSD provides the company or cooperative without delay the information referred to in chapter 3, section 15, subsection 2 of the Limited Liability Companies Act or in chapter 4, section 14, subsection 2 of the Cooperatives Act (421/2013) about the owners of shares and units.

The limited liability company or cooperative shall submit the agreement referred to in subsection 1 in advance for information to the Financial Supervisory Authority.

Section 3

Recording of rights

A company or a cooperative shall ensure that the owner of a share or unit may request that a party to the CSD record his or her right once a decision referred to in chapter 3, section 14a of the Limited Liability Companies Act or chapter 4, section 13a of the Cooperatives Act regarding the recording of the company's or cooperative's shares or units in the book-entry system has been registered and the registration period has commenced. Rights shall be recorded in such a manner accepted by the CSD that the connection between each share or unit and an entry made in the book-entry account can be identified.

If a share or unit certificate has been issued for a share or unit, it shall be delivered by the owner of the share or unit to a party to the CSD. The company or cooperative shall ensure that the party to the CSD places an endorsement on the share or unit certificate indicating the incorporation of the shares or units into the book-entry system.

A pledge holder and a holder of some other right may declare their right to be recorded in the book-entry account of the owner of the share or unit. The company or cooperative shall ensure that the share or unit and the holder's right can, on the basis of the necessary evidence presented by the applicant, be recorded in a book-entry account opened in the name of the owner of the share or unit if the owner of the share or unit does not have a book-entry account. In that event, the pledge may be recorded without the written consent of the account holder.

Section 4

Impact of the end of the registration period

Once the registration period has ended, the rights of the owner of the share or unit in the company or cooperative cannot be exercised unless the right has been recorded in the book-entry system as referred to in section 3.

Section 5

Shares to be recorded in a joint account

No later than at the end of the registration period, the company or cooperative shall open a joint book-entry account on behalf of the owners of shares and units the recording of whose rights in the book-entry system was not requested during the registration period.

Section 6

Waiting list

When a company or cooperative is being incorporated or when new shares or units are being issued, a person with the right to a share or unit shall be entered into a separate list (*waiting list*) kept by the board of directors of the company or cooperative instead of the shareholder register or membership or owner register until the company or cooperative or the share or unit has been registered and full payment for the share or unit of the cooperative has been made. An entry shall be made in the section of the list concerning the acquirer of a share or unit for any payment made for the share or unit.

If the share is subject to the right of redemption referred to in chapter 3, section 7 of the Limited Liability Companies Act or if consent is required for the acquisition of the share as referred to in chapter 3, section 8 of the Limited Liability Companies Act, the acquisition notified for entry into the shareholder register shall, instead of the shareholder register, be entered into the waiting list until it is clear that the right of redemption will not be exercised or until the consent has been given. The provisions of chapter 3, section 7, subsection 4 and chapter 3, section 8, subsection 4 of the Limited Liability Companies Act apply to such shares.

If there are any restrictions to the assignment of a share or unit under the Cooperatives Act or the rules of the cooperative, the acquisition notified for entry into the membership or owner register shall, instead of the membership or owner register, be entered into the waiting list until it is clear that the right of redemption will not be exercised or until the assignee is accepted as a member.

The provisions of chapter 4, section 6, subsection 4 and chapter 4, section 7, subsection 4 of the Cooperatives Act apply to such shares.

Section 7

Withdrawal of shares and units from the book-entry system

If, according to the entries in a book-entry account, a share or unit is encumbered by a pledge, distraint or precautionary measures, the share or unit shall not be withdrawn from the book-entry system without the simultaneous issue of a share certificate to be handed over to the pledge holder or the respective enforcement authority.

Section 8 (1079/2017)

Companies whose shares are not traded on a trading venue

If the shares of a limited liability company referred to in section 1 above are not traded on a trading venue referred to in chapter 1, section 2, subsection 1, paragraph 13 of the Act on Trading in Financial Instruments, the shares shall not be incorporated in a foreign CSD.

PART IV

RECOVERY AND RESOLUTION OF A CENTRAL SECURITIES DEPOSITORY

Chapter 7

Recovery and resolution of a central securities depository

Section 1

Resolution authority

Authority duties relating to resolution planning under this chapter are the responsibility of the Financial Stability Authority referred to in the Act on the Financial Stability Authority (1195/2014), hereinafter *the Authority*, unless otherwise provided in this Act or the Act on the Resolution of Credit Institutions and Investment Firms (1194/2014), hereinafter *the Resolution Act*.

Section 2

Obligation to draw up a recovery plan

Provisions on the obligation of a CSD to draw up a recovery plan are laid down in Article 22(2) of the CSDR.

Section 3

Obligation to draw up a resolution plan

The Authority shall, having heard the Ministry of Finance, the Bank of Finland and the Financial Supervisory Authority, draw up a resolution plan for a CSD in accordance with Article 22(3) of the CSDR. The Bank of Finland and the Financial Supervisory Authority shall assist the Authority in the drawing up of the resolution plan.

The resolution plan shall contain actions for the resolution of the CSD's serious financial difficulties and of broader instability of the financial sector or financial system.

The Authority may oblige the CSD to assist in the drawing up of the resolution plan and updates to the plan as well as to submit the resolution plan of the parent undertaking of the CSD.

Furthermore, the authorities referred to in this section shall cooperate closely for the drawing up of the resolution plan.

Section 4

Reviewing of the resolution plan

The Authority shall review the CSD's resolution plan each year.

In addition, the resolution plan shall be reviewed after any change to the legal or organisational structure of the CSD, its business or its financial situation that could have a material effect on executability of the plan or otherwise necessitates a review of the plan. The CSD, the Bank of Finland and the Financial Supervisory Authority shall notify the Authority without delay of any changes to the information.

Section 5

Contents of the resolution plan

The resolution plan shall ensure the continuity of the core services provided by the CSD, access to legal remedies by holders of book entries and the importance of the activities of the CSD to the stability of the financial markets.

The resolution plan shall take into account the obligation to secure the continuity of settlement activities laid down in chapter 2, section 9 and the CSD's obligation to prepare for exceptional circumstances laid down in chapter 2, section 12.

Section 6

Information required for the drawing up of the resolution plan

A CSD shall submit to the Authority for the purpose of the drawing up of the resolution plan the information and analysis required for the drawing up, maintenance and implementation of the resolution plan.

If the information and analysis referred to in subsection 1 is held by the Bank of Finland or the Financial Supervisory Authority, the Bank of Finland or the Financial Supervisory Authority shall submit it to the Authority at the Authority's request.

Section 7

Notification obligation concerning resolution plans

The Authority shall submit the resolution plans referred to in this chapter and resolution plans of the parent undertaking of a CSD, including any changes made to them, to the Ministry of Finance, the Bank of Finland and the Financial Supervisory Authority.

The Authority shall cooperate with the authorities responsible for the resolution plan of the parent undertaking of a CSD.

PART V

MISCELLANEOUS PROVISIONS

Chapter 8

Miscellaneous provisions

Section 1

Secrecy obligation

Any person who, in the capacity of a member or a deputy member or an employee of or while performing a task commissioned by a body of an account operator, a CCP or a CSD, their holding company, a financial institution belonging to their consolidation group or their consortium, has obtained information on the financial status or private circumstance of an owner or issuer of a book entry or of any other person or on a business secret shall be obliged to keep it secret unless the party for whose benefit the secrecy obligation has been laid down consents to its disclosure. Nor may information to be kept secret be disclosed to a general meeting of shareholders or a general meeting of a cooperative of an account operator or of a CSD or to a shareholder or unitholder attending a general meeting. With regard to information referred to in chapter 4, section 4, subsection 3 above and other information obtained by the issuer of a book entry in that capacity, the secrecy obligation also applies to a member and a deputy member of a body of the issuer, its employee or anyone commissioned by it to perform a task. (636/2018)

Any person who, in the capacity of a member or a deputy member of a body of or as an employee of a settlement agent or an entity to which activities have been outsourced, has obtained unpublished information about the financial status or private circumstance of an issuer of a security or another person or a business secret may not reveal or otherwise disclose it or make use of it unless it is provided by law or otherwise ordered in due order that it be revealed or unless the party for whose benefit the secrecy obligation has been laid down consents to its disclosure. (636/2018)

Notwithstanding secrecy provisions, a CSD has the right to disclose information from the book-entry system to registers concerning insider ownership and registers on personal transactions of relevant persons referred to in chapter 7, section 11, subsection 3 of the Act on Investment Services.

Section 2

Disclosure obligation

An account operator, a settlement agent, a nominee, a CCP, a CSD and an entity to which activities have been outsourced, their holding company, a financial institution belonging to their consolidation group as well as their consortium is, notwithstanding secrecy provisions, obliged to disclose the information referred to in section 1 as well as other information relating to a book-entry account and owners of book entries to an authority entitled to access this information under the law. Provisions on the obligation to disclose information to a court of law are laid down in chapter 17 of the Code of Judicial Procedure (4/1734) and elsewhere by law. Separate provisions are issued on the disclosure of information on book-entry accounts and owners of book entries for taxation purposes.

An account operator, a settlement agent, a nominee, a CCP, a CSD and an entity to which activities have been outsourced, their holding company and a financial institution belonging to their consolidation group have, notwithstanding secrecy provisions, the right to disclose the information referred to in subsection 1 to an entity of the same group, consolidation group or of a financial and insurance conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates (699/2004) for the purpose of customer service and other management of customer relationships, marketing as well as for the purpose of the risk management of the group or consolidation group or financial and insurance conglomerate if the members of its management bodies and its employees are subject to the secrecy obligation laid down in section 1 or a corresponding secrecy obligation. The provisions of this subsection on the disclosure of information do not apply to the disclosure of sensitive data referred to in section 11 of the Personal Data Act (523/1999).

Section 3

Customer due diligence

A CSD and an account operator as well as a financial institution belonging to their consolidation group shall conduct customer due diligence. An account operator and a CSD as well as a financial institution belonging to their consolidation group shall, in addition, where necessary, identify the actual beneficiary of the customer and the person acting on behalf of the customer. In fulfilling the obligation laid down in this subsection, the systems referred to in subsection 2 may be utilised.

An account operator and a financial institution belonging to its consolidation group as well as a CSD shall have in place adequate risk management systems for the assessment of risks arising from customers posed to their activities.

The provisions of this section concerning a CSD also apply to a Finnish CCP.

Provisions on customer due diligence are, in addition, laid down in the Act on Preventing Money Laundering and Terrorist Financing (444/2017).

Section 4

Damages

Any person who intentionally or through negligence causes loss or damage to another through conduct in violation of this Act or the provisions issued under it shall be liable to compensate the damage he or she has caused.

Provisions on the adjustment of damages as well as the division of liability among two or more persons liable for damages are laid down in chapters 2 and 6, respectively, of the Tort Liability Act (412/1974).

Section 5

Administrative fine

Provisions referred to in section 38, subsection 1, paragraph 2 of the Act on the Financial Supervisory Authority for the neglect or violation of which an administrative fine is imposed are the provisions of chapter 2, sections 17–19 of this Act on the insider declaration and insider register, the provisions of section 26 of this Act on the application of the provisions of the chapter on a CCP, and the provisions of Articles 15 and 31–38 of the EMIR on the activities of a CCP.

Section 6

Penalty payment

Provisions referred to in section 40 of the Act on the Financial Supervisory Authority for the neglect or violation of which a penalty payment is imposed are:

- 1) the provisions of chapter 2, section 8, subsection 2 on the organisation of the activities of a CSD as well as the provisions of Articles 16, 26–30 and 39–50 of the EMIR on the organisation of the activities of a CCP;
- 2) the provisions of chapter 2, section 9, paragraphs 1–2 and chapter 2, section 9, paragraph 5 on the safeguarding of settlement activities;

- 3) the provisions of chapter 2, section 13 on the supervisory task of a CSD;
- 4) the provisions of chapter 2, sections 16 and 26 on personal transactions in a CSD and a CCP;
- 5) the provision of chapter 6, section 2, subsection 1 on an agreement to be entered into with a foreign CSD; and
- 6) the provision of section 3 of this chapter on client due diligence.

In addition to the provisions of subsection 1, provisions referred to in section 40 of the Act on the Financial Supervisory Authority are the neglect or violation of the following provisions of the CSDR and of this Act:

- 1) the provisions of Articles 16, 25 and 54 on the provision of services referred to in Sections A, B and C of the Annex to the CSDR;
- 2) the provisions of point (b) of Article 20(1) and point (b) of Article 57(1) on making false statements and using other unlawful means when applying for an authorisation;
- 3) the provision of Article 47(1) on capital requirements;
- 4) the provisions of Articles 26–30 on the organisational requirements for a CSD;
- 5) the provisions of Articles 32–35 on the conduct of business rules of a CSD;
- 6) the provisions of Articles 37–41 on the requirements set for the services of a CSD;
- 7) the provisions of Articles 43–47 on the prudential requirements for a CSD;
- 8) the provisions of Article 48 on CSD links;
- 9) the provisions of Articles 49–53 on abusive refusals by CSDs and granting of different types of access;
- 10) the provision of Article 59(3) on the specific prudential requirements related to credits risks of designated credit institutions;
- 11) the provision of Article 59(4) on the specific prudential requirements related to liquidity risks of designated credit institutions; and

12) the provision of chapter 2, section 22, subsection 1 on the obligation to formulate procedures on the reporting of infringements and keep personal data secret.

Provisions referred to in section 40 of the Act on the Financial Supervisory Authority are, in addition to the provisions laid down in subsections 1 and 2 of this section, the further provisions and provisions of Commission regulations and decisions issued on the basis of the CSDR pertaining to the provisions referred to in the subsections in question.

Section 7

Imposition and enforcement of administrative sanctions

Provisions on the imposition, notification, enforcement and consideration in the Market Court of administrative sanctions are laid down in chapter 4 of the Act of the Financial Supervisory Authority.

Section 8

Appeal against a decision of the Ministry of Finance

Provisions on appeal against a decision issued by the Ministry of Finance under this Act are laid down in the Administrative Judicial Procedure Act (586/1996).

The applicant may file an appeal if a decision referred to in chapter 2, section 1 on the granting of the authorisation of a CSD, a decision referred to in chapter 2, section 15 on the confirmation of the rules of a CSD, or a decision referred to in chapter 2, section 23 on the granting of the authorisation of a CCP is not given within the time limit laid down for its granting. The appeal is, in such a case, deemed to concern a rejecting decision. Such an appeal may be filed until the decision has been issued. The Ministry of Finance shall notify the appellate authority of the issuing of the decision if the decision is issued after the filing of the appeal. In other respects, provisions on the filing and handling of an appeal are laid down in the Administrative Judicial Procedure Act.

Section 9

Appeal against a decision of the Financial Supervisory Authority

Provisions on appeal against a decision made by the Financial Supervisory Authority under this Act are laid down in the Administrative Judicial Procedure Act and section 73 of the Act on the Financial Supervisory Authority.

Section 10**Violation of the secrecy obligation**

The punishment for violating the secrecy obligation laid down in chapter 2, section 22 and in section 1 of this chapter is imposed under chapter 38, section 1 or 2 of the Criminal Code of Finland, unless a more severe punishment for the act is provided elsewhere by law.

Section 11**Unlawful operation of a central securities depository**

Any person who intentionally or through gross negligence carries out the activities of a CSD in violation of chapter 2, section 1, subsection 1 without an authorisation shall, unless the act is minor or provisions on a more severe punishment for it are laid down elsewhere by law, be sentenced for *unlawful operation of a CSD* to a fine or to imprisonment not exceeding one year.

Section 12**Unlawful operation of a central counterparty**

Any person who intentionally or through gross negligence carries out the activities of a CCP in violation of Article 14 of the EMIR shall, unless the act is minor or provisions on a more severe punishment for it are laid down elsewhere by law, be sentenced for *unlawful operation of a CCP* to a fine or to imprisonment not exceeding one year.

Section 13**Authority of the Financial Supervisory Authority to issue regulations**

Further regulations on the procedures to be followed in customer due diligence referred to in section 3, subsection 1 and on risk management referred to in section 3, subsection 2 may be issued by the Financial Supervisory Authority.

Section 14**Transitional provisions and entry into force**

This Act enters into force on 21 June 2017.

This Act repeals the Act on the Book-entry System and Clearing Operations (749/2012), hereinafter *the repealed Act*.

Where there is a reference elsewhere in legislation to the repealed Act or its provision, after the entry into force of this Act the reference means a reference to this Act or its corresponding provision.

The regulations of the Financial Supervisory Authority issued under the repealed Act remain in force.

Provisions on the moment by which at the latest a CSD shall apply for an authorisation in accordance with Article 17 of the CSDR shall be issued by a decree of the Ministry of Finance as required by the implementation of European Union legislative acts. The decree of the Ministry of Finance shall be issued no later than within six months of the entry into force of the regulatory technical standards adopted under Articles 17, 26, 45, 47 and 48 and, where necessary, Articles 55 and 59 of the CSDR.

For two years from the entry into force of this Act, the provisions in force at the time of the entry into force of this Act apply to such book-entry accounts kept in the name of owners of book entries the costs arising from which were to be borne at the time of the entry into force of this Act by the issuers of the book entries in question.

Act 1079/2017 entered into force on 3 January 2018.

The report submitted annually to the Financial Supervisory Authority under the provisions of chapter 2, section 16, subsection 2 that were in force at the time of the entry into force of this Act is no longer required to be submitted for 2017.