Translated from Finnish

Legally binding only in Finnish and Swedish

Ministry of Finance, Finland

Act on cooperative banks and other credit institutions in the form of a cooperative

(423/2013; amendments up to 408/2019 included)

By decision of Parliament, the following is enacted:

Chapter 1
General provisions

Section 1

This Act shall apply to the following *credit institutions*:

1) deposit banks in the form of a cooperative (*cooperative banks*);

2) credit institutions in the form of a cooperative other than referred to in paragraph 1.

In addition, this Act shall apply to limited-liability cooperative banks as provided for in chapter 5.

Unless otherwise provided in this Act or in the Act on Credit Institutions (610/2014), the Cooperatives Act (421/2013) shall apply to the credit institution. (615/2014)

Section 2

At least one of the founders of a credit institution and at least one of the members of its Board of Directors as well as its managing director shall be resident in or, if the founder is a legal person, have its registered office in the European Economic Area, unless exempted by the Financial Supervisory Authority. The exemption may be granted if it does not jeopardise the effective supervision or the management of the credit institution.

The Board of Directors of the credit institution shall comprise at least three members.

Section 3

A credit institution may be reincorporated as a limited-liability credit institution in compliance with the provisions laid down in chapter 22 of the Cooperatives Act. The provisions laid down in section 9, subsection 1 of this Act concerning merger shall furthermore apply to reincorporation.

Chapter 2
Use of funds and restricted equity

Section 4

The restrictions relating to the distributable surplus of a credit institution shall be governed by the provisions of chapter 12, section 1 and chapter 16, sections 2 and 6 of the Cooperatives Act. In addition, the provisions laid down in chapter 11, section 8 of the Act on Credit Institutions concerning restrictions due to the amount of own funds shall apply to the said surplus. The items referred to above shall also be excluded from the distributable surplus of the parent cooperative to be calculated on the basis of the consolidated balance sheet. (615/2014)

When reducing the reserve fund, premium fund or share capital of the credit institution or when distributing unrestricted equity in such a manner that under chapter 18, section 2 of the Cooperatives Act, creditors may object to such reduction or distribution, the provisions laid down in chapter 18, sections 2–5 of the Cooperatives Act concerning creditors shall not apply to depositors.

The considerations paid to the credit institution for shares may not be refunded if the refund results in own funds falling below the minimum amount provided in chapter 10, section 1 of the Act on Credit Institutions or the threshold value referred to in chapter 8a, section 4 of the Act on Credit Institutions, or failure to meet the liquidity requirements referred to in Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (*Capital Requirements Regulation*) or in chapter 11, section 9 of the Act on Credit Institutions. A credit institution may postpone the refund in part or in full:
1) on its own initiative, when the refund would jeopardise the fulfilment of the requirements imposed on the solvency and liquidity of the credit institution; or
2) when the Financial Supervisory Authority has not granted the credit institution the permission referred to in the Capital Requirements Regulation for the refund. (408/2019)

Equity instruments intended for inclusion in own funds shall meet the requirements laid down in credit institutions legislation.

The provisions laid down in chapter 12, section 1, subsection 1, paragraph 2 and in chapter 12, section 2, subsection 2 of the Cooperatives Act shall not apply to capital loans issued by credit institutions.

Chapter 3
Merger

Section 5

Section 5 has been repealed by Act 615/2014.

Section 6

The credit institutions involved in the merger or, in the case of a subsidiary merger, the credit institution that is the parent company, shall notify the merger to the Financial Supervisory Authority. The notification, which shall be accompanied by the draft terms of merger and the auditor's opinion referred to in chapter 20, section 4 of the Cooperatives Act, shall be submitted to the Financial Supervisory Authority before applying for the issue of the public notice referred to in chapter 20, section 6 of the Cooperatives Act. Upon receipt of the notification, the Financial Supervisory Authority may also request any additional information it deems necessary.

The registration authority shall, without delay, notify the Financial Supervisory Authority of any notice of a creditor's objection as referred to in chapter 20, section 16, subsection 2 of the Cooperatives Act.

In an absorption merger as referred to in chapter 20, section 2, subsection 1, paragraph 1 of the Cooperatives Act, the Financial Supervisory Authority may object to the merger by giving the registration authority notice to this effect within one month of the due date referred to in chapter 20, section 6, subsection 2 of the Cooperatives Act if the merger is likely to jeopardise the continuation of the requirements for authorisation of the acquiring credit institution or, when a credit institution involved in the merger belongs to a central organisation, the merger would jeopardise the capital adequacy of the amalgamation. The credit institutions involved in the merger shall be notified of the objection without delay. In the case referred to in this subsection,

the merger may be registered only if no objection is made by the Financial Supervisory Authority within the time period mentioned above.

An appeal against a decision of the Financial Supervisory Authority referred to in this section shall be considered as a matter of urgency.

Section 7

When a creditor has objected to the merger, the registration authority shall request the Financial Supervisory Authority to provide an opinion on the effects of the implementation of the merger on the creditor's standing and on whether it is necessary to implement the merger without delay in order to safeguard the stable operation of the credit institutions. Notwithstanding the provisions laid down in chapter 20, section 16, subsection 2 of the Cooperatives Act concerning the requirements for registration, the registration authority shall register the implementation of the merger despite a creditor's objection when the Financial Supervisory Authority in its opinion holds that implementation of the merger will not undermine the creditor's financial position and that implementation of the merger without delay is necessary to safeguard the stable operation of the credit institutions.

Section 8

The provisions laid down in sections 5–7 shall apply to the involvement of a Finnish credit institution or the central organisation of an amalgamation in a cross-border merger in the European Economic Area.

Section 6, subsections 3 and 4 shall not apply to the merger, however, when the acquiring cooperative in the merger has been or will be registered in another state. The registration authority may not issue the certificate on such a merger referred to in section 4, subsection 3 of the Act on European Cooperative Societies (906/2006) or in chapter 20, section 27, subsection 4 of the Cooperatives Act when the Financial Supervisory Authority, prior to granting the permission referred to in section 4, subsection 2 of the Act on European Cooperative Societies or in chapter 20, section 27, subsection 1 of the Cooperatives Act, notifies the registration authority that the credit institution has failed to comply with the provisions concerning merger, continuation of operations taking place in Finland or discontinuation of operations. Before one month has elapsed from the due date referred to in chapter 20, section 6, subsection 2 of the Cooperatives Act, the permission may be granted only when the Financial Supervisory Authority gives notice that it does

not object to the merger or the relocation of registered office relating to the establishment of a European cooperative society.

When an acquiring cooperative to be registered in another state intends to continue to engage in credit institution activities in Finland subsequent to the merger, the provisions laid down on the operations of a foreign credit institution in Finland shall apply to it.

Section 9

The provisions laid down in chapter 20, sections 6, 7 and 16 of the Cooperatives Act concerning creditors shall not apply to depositors. However, a merging credit institution shall notify depositors of a merger no later than three months before the due date imposed by the registration authority on other creditors pursuant to chapter 20, section 6, subsection 2 of the Cooperatives Act. The notification shall mention the business name and address of the acquiring credit institution.

The notification referred to above in subsection 1 shall indicate that if the combined deposits of a depositor with the credit institutions involved in the merger exceed the maximum limit for the deposit guarantee provided for in chapter 5, section 8 of the Act on the Financial Stability Authority (1195/2014), the deposit guarantee shall be governed by chapter 5, section 13 of the said Act. Depositors shall have the right, within six months of receipt of the notification and the original contractual terms notwithstanding, to terminate any deposit that pursuant to the said section 8 would be excluded, either in part or in full, from the deposit guarantee. The provisions laid down in this section shall not apply when the merging deposit banks, in the manner referred to in chapter 5, section 8, subsection 6 of the Act on the Financial Stability Authority, are considered to be a single deposit bank upon application of the upper limit for the deposit guarantee referred to in subsection 1 of the said section. (1205/2014)

The provisions laid down above in this section concerning depositors with a merging credit institution shall also apply to depositors with an acquiring credit institution when the merger, according to the auditor's opinion referred to in chapter 20, section 4 of the Cooperatives Act, is capable of jeopardising the repayment of the debts of the acquiring credit institution.

The provisions laid down in this section concerning depositors and their right of termination in connection with a merger shall correspondingly apply to the relocation of a credit institution's registered office to another state in the European Economic Area and to a merger where the acquiring credit institution is to be registered in another state. Depositors shall have the right of

termination when a deposit covered by the deposit guarantee provided for in the Act on the Financial Stability Authority is excluded, either in part or in full, from the deposit guarantee subsequent to the relocation or merger. In the notification to depositors, the credit institution shall explain the changes to the information to be provided on the basis of chapter 5, section 18 of the Act on the Financial Stability Authority. (1205/2014)

In the cases referred to in subsection 4, the credit institution shall prepare a report on the deposit guarantee (*deposit guarantee report*) which explains the deposit guarantee arrangements prior and subsequent to the relocation or merger as well any differences in the coverage of the deposit guarantee. The credit institution shall request an opinion from the Financial Supervisory Authority on the deposit guarantee report. The request for an opinion shall be accompanied by all additional information requested by the Financial Supervisory Authority. The deposit guarantee report and a copy of the opinion issued by the Financial Supervisory Authority shall accompany the notification given to depositors.

Section 10

When the registered office of a credit institution is relocated to another state or the acquiring credit institution in the merger is registered in another state and subsequent to this measure, a deposit is excluded, either in part or in full, from the deposit guarantee, the depositor may terminate the deposit also such that the credit institution shall repay the terminated deposit immediately or establish security interest on its repayment. The termination shall take place in writing and no later than on the due date mentioned in the public notice referred to in chapter 20, section 6 of the Cooperatives Act. The notification referred to above in section 9 shall mention the right of depositors to terminate their deposits in accordance with this section. The credit institution shall notify termination to the Financial Supervisory Authority immediately upon expiration of the time period allotted for termination referred to in this section.

Section 11

The authorisation referred to in the Act on Credit Institutions shall be obtained for the credit institution established in a combination merger. The combination merger may not be registered unless the authorisation is registered on the same occasion.

When the combined cooperative capital of the credit institutions involved in the merger is less than that laid down in chapter 10, section 2 of the Act on Credit Institutions, the initial capital of the

credit institution to be established shall be at least equal to the combined cooperative capital of the credit institutions involved in the merger. (615/2014)

Chapter 4
Demerger and reduction of restricted equity

Section 12

Sections 5–10 shall apply to a demerging credit institution's draft terms of demerger, registration of the implementation of the demerger and to the implementation permission and certificate. However, section 6, subsection 3 above shall not apply to the full demerger referred to in chapter 21, section 2, subsection 1, paragraph 1 of the Cooperatives Act when the demerger takes place into cooperatives to be established that are solely credit institutions.

Section 11 shall apply to the credit institutions established upon demerger.

The provisions laid down in chapter 21, section 17, subsection 6 of the Cooperatives Act concerning the debt of a demerging cooperative shall not apply to debt or part thereof that is eligible for compensation from the deposit guarantee fund referred to in chapter 5 of the Act on the Financial Stability Authority or the compensation fund referred to in chapter 11 of the Investment Services Act (747/2012). (1205/2014)

Section 13 (615/2014)

The provisions laid down in chapter 18, sections 2–5 and in chapter 21, sections 6, 7 and 16 of the Cooperatives Act concerning creditors shall apply to persons for the benefit of whom the credit institution has given a guarantee or other comparable commitment or to whom a monetary claim may arise on the basis of a derivatives contract concluded with the credit institution when liability for the commitment transfers to a credit institution other than one referred to in chapter 1, section 7, subsection 1 of the Act on Credit Institutions.

Section 14

When reducing a credit institution's cooperative capital, share capital, reserve fund or premium fund or distributing its unrestricted equity in a manner that entitles the creditors, under chapter 18, section 2, subsection 2 of the Cooperatives Act, to object to the reduction or distribution, the

provisions laid down in chapter 18, sections 2–5 of the Cooperatives Act concerning creditors shall not apply to depositors.

Chapter 5
Transfer of business

Section 15

A credit institution (*transferring credit institution*) may transfer its assets and debts to one or more credit institutions or other enterprises (*acquiring enterprise*) in the manner laid down in this chapter.

The transfer of business may be implemented even if the transferring credit institution has been placed into liquidation unless steps have been taken to distribute the assets of the credit institution to members and other shareholders.

Section 16

The decision on a transfer of business shall be taken by the general meeting of the cooperative of the transferring credit institution. The provisions laid down in chapter 5, section 21 of the Cooperatives Act shall apply to convocation of the general meeting of the cooperative and the decision shall be by the qualified majority referred to in section 29, subsection 1 of the said chapter.

The Board of Directors of the transferring credit institution shall prepare draft terms of transfer to which chapter 21, section 3 of the Cooperatives Act shall apply. Section 5 of this Act shall moreover apply to the draft terms of transfer.

The provisions laid down above in chapter 4 concerning implementation of demerger shall additionally apply to a credit institution's transfer of business. The public notice and written notices to the creditors referred to above in this subsection shall only apply to debts that are to be transferred.

The provisions of chapter 21, section 17, subsection 6 of the Cooperatives Act and section 12, subsection 3 of this Act shall apply to a credit institution's transfer of business.

The assets, debts, provisions and commitments of the transferring credit institution shall transfer to the acquiring enterprise in the manner specified in the draft terms of transfer once the transfer has been registered.

A member of the transferring credit institution who did not concur with the decision to transfer the business shall have the right, upon transfer of all assets and debts, to resign from the credit institution in the manner laid down in chapter 20, section 13 of the Cooperatives Act. The right to a refund of the share price shall arise to the member referred to herein once the execution of the transfer of business has been registered. Section 4, subsection 3 of this Act shall apply to the right of the credit institution to limit the refund of the share price. (408/2019)

Section 17
References from elsewhere in law

When all assets, debts and commitments as well as other rights and obligations of the transferring credit institution are transferred at book values to a single limited-liability credit institution established to continue the operations of the transferring credit institution and the consideration paid consists solely of shares of the acquiring credit institution, the provisions of section 16, subsections 2–4 shall not apply to the transfer. Chapter 22 of the Cooperatives Act shall not apply to credit institutions.

A credit institution which transfers its business in accordance with subsection 1 above shall at the same time decide on placing the credit institution into liquidation or surrendering its authorisation.

When the general meeting of the cooperative decides on the transfer of the credit institution's business to a limited-liability credit institution in accordance with this section, the general meeting of the cooperative shall adopt for the credit institution articles of association as provided in the Act on Credit Institutions and in the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company (1501/2001), unless otherwise provided below. Subject to the provisions laid down in this chapter, the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company shall apply to the limited-liability credit institution referred to in this section.

Section 18

The articles of association of a credit institution referred to in section 17 established to continue the operations of a cooperative bank may contain a provision according to which the credit institution is a limited-liability cooperative bank. In addition to the indication of the corporate form of the bank, a limited-liability cooperative bank shall also use the term "osuuspankki" separately or as part of a compound in its business name.

When the transferring cooperative bank is a member of a central organisation as referred to in the Act on the Amalgamation of Deposit Banks (599/2010), the limited-liability cooperative bank shall also become a member of the central organisation.

A limited-liability cooperative bank may be reincorporated as a commercial bank by amending its articles of association.

The purpose of a cooperative bank that has become a cooperative and transferred its business to a limited-liability cooperative bank shall be to carry on banking activity through the limited-liability cooperative bank owned by it in order to support the trade or finance of its members such that the members of the cooperative take part in the activity carried on by the cooperative by using the services of the limited-liability cooperative bank. A decision of the cooperative on the transfer of shares subscribed for by the cooperative shall be governed by the provisions of chapter 5, section 21 and section 29, subsection 2 of the Cooperatives Act.

Chapter 6
Voluntary surrender of authorisation

Section 19

In accordance with this chapter, the Financial Supervisory Authority may withdraw the authorisation of a credit institution on the credit institution's application without the credit institution having to be placed into liquidation.

The application shall be accompanied by the following:

1) a copy of the decision of the general meeting of the cooperative of the credit institution by which the credit institution has decided to surrender its authorisation;

2) a report stating that the credit institution no longer holds any deposits nor engages in any other activities made subject to authorisation according to the Act on Credit Institutions or in the Act on Investment Services;

3) the auditor's opinion on the report referred to in paragraph 2;

4) permission from the registration authority for the surrender of the authorisation.

A credit institution which transfers its entire business in the manner referred to in section 17, subsection 1 is not required to include the documents referred to in subsection 2 with its application.

Section 20

The decision on surrendering authorisation shall be taken in compliance with the provisions laid down in chapter 5, section 21 and section 29, subsection 2 of the Cooperatives Act.

Section 21

Permission shall be obtained from the registration authority for surrender of authorisation. This permission shall be governed by chapter 18, sections 2–5 of the Cooperatives Act and by section 13 of this Act. A public notice to creditors concerning the demerger or transfer of business of a credit institution may be given in conjunction with the public notice concerning surrender of authorisation when the measures are sought on the same occasion.

The provisions laid down above in this section shall not apply to a credit institution which has transferred its entire business in the manner referred to in section 17, subsection 1.

Section 22

A decision to withdraw authorisation as referred to in section 19 shall be notified by the Financial Supervisory Authority for registration. The withdrawal of the authorisation takes effect once the decision has been registered. However, the decision on withdrawal of a credit institution referred to above in section 19, subsection 3 may not be registered unless the authorisation of the receiving credit institution is registered on the same occasion.

Chapter 7
Liquidation and bankruptcy

Provisions on liquidation

Section 23

Unless otherwise provided below in this Act, the Cooperatives Act shall apply to the liquidation of a credit institution.

The registration authority shall request, by the due date referred to in chapter 23, section 5 of the Cooperatives Act, an opinion from the Financial Supervisory Authority on removal from the register or placement into liquidation.

Section 24 of the Trade Register Act (129/1979) shall not apply to the dissolution of a credit institution.

Upon application of chapter 23, section 7, subsection 2 and section 23 of the Cooperatives Act, financial instruments included in the credit institution's additional Tier 1 capital as referred to in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 shall not be considered to be debts. (870/2018)

Section 24

Before the credit institution is placed into liquidation by decision of the general meeting of the cooperative, it shall notify the Financial Supervisory Authority. The provisions laid down above concerning the decision of the general meeting of the cooperative shall apply to the unanimous decision of all members referred to in chapter 5, section 1, subsection 2 of the Cooperatives Act.

Section 25

In deciding on withdrawal of authorisation, the Financial Supervisory Authority shall at the same time place the credit institution into liquidation, subject however to the provisions of chapter 6. Liquidation shall commence once the decision of the Financial Supervisory Authority on withdrawal of authorisation and placement into liquidation has been taken.

Section 26

When deciding to place a credit institution into liquidation, the Financial Supervisory Authority shall at the same time appoint one or more liquidators. In other respects, the provisions of chapter 23, section 9 of the Cooperatives Act shall apply to the liquidators. In addition to what is laid down in chapter 23, section 9, subsection 3 of the Cooperatives Act, the order referred to therein may also be sought by the Financial Supervisory Authority.

The liquidators shall submit the notification referred to in chapter 23, section 10 of the Cooperatives Act to the Deposit Guarantee Fund, the Guarantee Fund and the Investors Compensation Fund, when the credit institution is a fund member, and also to the Financial Supervisory Authority when the notification is based on a decision other than referred to in section 25 of this Act.

Immediately after the Financial Supervisory Authority has taken the decision to withdraw authorisation, the liquidators shall convene the highest decision-making body of the credit institution to decide on measures to merge the credit institution into another credit institution or otherwise to remedy the requirements for authorisation, or to dissolve the credit institution.

The liquidators shall apply to the Financial Supervisory Authority for withdrawal of authorisation without delay when the requirements for authorisation no longer exist or the appropriate continuation of the liquidation no longer requires an authorisation.

The liquidators shall notify their final settlement and the notification referred to in chapter 23, section 17, subsection 1 to the Financial Supervisory Authority.

Section 27

When appointing liquidators, the registration authority and the Financial Supervisory Authority shall issue a certificate to the liquidators of their status. An extract from or a copy of the minutes of the general meeting of the cooperative shall certify that the liquidator has been appointed by the general meeting of the cooperative.

Section 28

When, in the liquidation of a credit institution, creditors are notified of the public notice to creditors in the manner referred to in chapter 23, section 14 of the Cooperatives Act and in section 4, subsection 3 of the Act on Public Notices (729/2003), the notification shall additionally mention:

1) the provisions laid down in section 38, subsection 2 on the duty of depositors to make themselves known to the bank;

2) whether creditors shall notify preferential claims or claims secured by rights in rem.

The notification shall be given in at least Finnish and Swedish. The notification shall, in all official languages of member states of the European Economic Area (*EEA State*), bear the heading, "Invitation to lodge or to oppose a claim. Time limits to be observed".

Provisions on bankruptcy

Section 29

A credit institution may be declared bankrupt on its own petition or on petition of its creditor in compliance with the provisions laid down in the Bankruptcy Act (120/2004) and below in this chapter.

Before filing a petition to surrender its assets into bankruptcy, a credit institution shall give notification to the Financial Supervisory Authority.

Section 30 (1205/2014)

When a creditor petitions to have a credit institution declared bankrupt, the court shall notify the Financial Supervisory Authority of such petition without delay. The court shall adjourn the case by no more than one month when the Financial Supervisory Authority makes a request to this effect within one week of receipt of the notification referred to in this section.

Subsections 2–3 were repealed by Act 870/2018.

Section 31

The notice concerning lodgement of claims provided to the credit institution's creditors shall, in addition to what is provided elsewhere in law, mention/state:

1) the provision laid down in section 32 on the duty of depositors to lodge their claims and the provisions laid down in section 38, subsection 2 on depositors making themselves known to the bank; and

2) whether creditors shall notify of preferential claims or claims secured by rights in rem.

The notice concerning lodgement or opposition of claims to be provided to the credit institution's creditors shall be prepared in at least Finnish and Swedish. The notice concerning lodgement of claims shall, in all official languages of EEA States, bear the heading, "Invitation to lodge a claim. Time limits to be observed" and the notice concerning opposition correspondingly, "Invitation to oppose a claim. Time limits to be observed".

Section 32 (615/2014)

When the assets of a cooperative bank have been surrendered into bankruptcy, subject to section 38, subsection 2, depositors are not required to notify or lodge claims for receivables held in deposit accounts. The provisions laid down in this section concerning depositors shall not apply to the Deposit Guarantee Fund to which the rights of the depositor have transferred pursuant to chapter 14, section 8, subsection 6 of the Act on Credit Institutions.

Provisions common to liquidation and bankruptcy

Section 33

Competence to decide on placing a credit institution into liquidation shall be held by the general meeting of the cooperative, the registration authority, the Financial Supervisory Authority and a Finnish court as provided in this Act and in the Cooperatives Act. Competence to declare a credit institution bankrupt shall be held by a Finnish court as separately provided. The procedure laid down above also applies to the branches of a credit institution located in other EEA States.

Section 34

The liquidator in the liquidation and the estate administrator in the bankruptcy of a credit institution that has a branch in another EEA State shall publish an excerpt from the decision on placement into liquidation or declaration of bankruptcy in the Official Journal of the European Union and in two national daily newspapers in each EEA State referred to in this section. The excerpt shall be published at least in Finnish and in Swedish.

Section 35

The liquidator, and in a bankruptcy the estate administrator, shall request that the commencement of the liquidation or bankruptcy proceedings be recorded in the land register, trade register or other public register kept in another EEA State when commencement of liquidation or bankruptcy proceedings shall be recorded in the register under the legislation of the relevant State.

Section 36

Creditors who have their residence, domicile or registered office in another EEA State may lodge their claims or oppose claims also in the official language of this other State. In such a case, however, when lodging or opposing claims, the heading "Lodgement of claim" [in Finnish: Saatavan ilmoittaminen tai valvominen] or, correspondingly, "Opposition of claim" [in Finnish: Saataviin liittyvien huomautusten esittäminen] shall appear in either Finnish or Swedish.

In the liquidation and bankruptcy of a credit institution, the public authority of another EEA State shall be treated as a creditor as referred to in subsection 1.

Section 37

The liquidator, and in a bankruptcy the estate administrator, shall provide the creditors reports on the progress of the liquidation or bankruptcy proceedings on a regular basis.

Section 38

Subject to the terms of the relevant contract, the creditor of a credit institution shall be obligated to accept payment also on unmatured debt after the credit institution has been placed into liquidation or declared bankrupt. In such a case, the creditor shall be entitled to be compensated for the harm arising from the difference between the agreed rate of interest and the lower market

rate of interest. The provisions laid down in this subsection shall not apply to secured bonds that are mortgage-backed credit as referred to in section 2, subsection 2 of the Act on Mortgage Credit Banks (688/2010).

When a cooperative bank is placed into liquidation or declared bankrupt, the bank shall, by a public notice, invite depositors who have not accessed their account with the bank in the ten years preceding the commencement of the liquidation or bankruptcy to report to the bank within two years of the giving of the notice on pain of the account holder otherwise being precluded from exercising their right of action vis à vis the credit institution. The invitation shall additionally be sent to the depositors referred to above by letter to the address known to the bank. In that event, the provisions laid down in section 28, subsection 2 and section 31, subsection 2 shall correspondingly apply.

Provisions of applicable law to be observed in the European Economic Area

Section 39

The liquidation and bankruptcy of a credit institution and the legal effects of the proceedings shall be governed by Finnish law unless otherwise provided below in this chapter.

Section 40

Contracts of employment and employment relationships shall be governed solely by the law of the EEA State which governs the said contract or relationship.

Section 41

Agreements on the use or assignment of immovable property shall be governed solely by the law of the EEA State in the territory of which the immovable property is located.

Section 42

The rights of the credit institution concerning immovable property, ships or aircraft subject to registration in a public register shall be governed by the law of the EEA State in which the register is kept.

Section 43

The rights in securities and derivatives contracts, the arising or transfer of which is required to be recorded in an account, register or centralised deposit system, shall be governed by the law of the EEA State in which the register or account is kept or in which the deposit system is located.

Section 44

Netting agreements shall be governed solely by the law which governs the said agreements.

Subject to the provisions of section 43, repurchase agreements shall be governed solely by the law which governs the said agreements.

Section 45

Subject to the provisions of section 43, the legal effects of liquidation or bankruptcy proceedings on transactions concluded in a regulated market shall be governed solely by the law which governs transactions concluded in such a market.

Section 46

The commencement of liquidation or bankruptcy shall not affect the rights in rem at the commencement of the proceedings of creditors or third parties in assets belonging to a credit institution and situated within the territory of an EEA State other than Finland. The same shall apply to rights based on a reservation of title clause when the asset at the commencement of the measure or proceedings is situated in an EEA State other than Finland.

The commencement of liquidation or bankruptcy shall not preclude a creditor from applying its claim to set off a debt owed by the creditor to the credit institution when such set-off is permitted under the law governing the credit institution's claim.

The provisions laid down in subsection 1 and 2 shall not preclude pleas of invalidity or nullity in respect of transactions nor the setting aside of transactions pursuant to Finnish law.

Section 47

When a credit institution subsequent to the commencement of liquidation or bankruptcy concludes a transaction against consideration that concerns immovable property, a ship or an aircraft subject

to registration in a public register, or a security or derivatives contract, the rights in which are recorded in a register or account or placed in a centralised deposit system, the validity of such a transaction shall be governed by the law of the EEA State in the territory of which the immovable property is located or in which the register, account or system is kept.

Section 48

The provisions laid down in section 39 in section 46, subsection 3 shall not apply to the invalidity or nullity of a transaction or to the setting aside of a transaction when the party which has benefited from a transaction detrimental to the interests of the creditors can establish that the transaction is governed by the law of an EEA State other than Finland and that under this law, the transaction cannot be disputed in the circumstances in hand.

Section 49

Legal proceedings that concern an asset or right of the credit institution subject to liquidation or bankruptcy and are pending upon the commencement of the liquidation or bankruptcy shall be governed solely by the law of the EEA State in which the legal proceedings are pending.

Chapter 8
Liability for damages

Section 50

The liability for damages of members and delegates of the credit institution, members of its supervisory board and board of directors and its managing director, based on breach of this Act, shall be governed by the Act on Credit Institutions. Bringing an action on the account of the credit institution for damages based on the aforementioned liability for damages shall be governed by chapter 25, sections 6–8 of the Cooperatives Act. The liability for damages of authorised auditors shall be governed by the Audit Act (1141/2015). The liability for damages of lay auditors shall be governed by the Cooperatives Act. (1229/2015)

Without prejudice to chapter 25, sections 6 and 7 of the Cooperatives Act, the Financial Supervisory Authority shall have the right to bring an action for damages on the account of the credit institution against a natural or legal person referred to in chapter 21, section 1 of the Act on Credit Institutions when it considers the action to be in the best interests of depositors or holders of shares. (615/2014)

Chapter 9
Transitional provisions and entry into force

Section 51

This Act enters into force on 1 January 2014.

This Act repeals the Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative (1504/2001), hereinafter the *old Act*.

Without prejudice to this Act, an amalgamation of cooperative banks that started its operations before 1 July 2010 shall be governed by section 3, subsection 2, paragraph 2 as well as subsections 4 and 6 of the said section, repealed by Act 601/2000 on amending the old Act (1504/2001), as these appear in Act 124/2007, and a member cooperative bank belonging to such an amalgamation by section 59 of the old Act repealed by the said Act.

Section 52

The provisions of this Act shall be complied with instead of provisions in the bylaws of a credit institution contrary to this Act. The amendment of the articles of association contrary to this Act shall be notified for registration on the same occasion as another amendment of the articles of association is notified for registration and no later than within three years of the entry into force of the Act.

When permission for a reduction of a cooperative bank's investment participation capital or for a merger has been sought from the Ministry of Finance prior to the entry into force of this Act, the procedure shall be governed by the old Act.

Section 38, subsection 1 above shall not apply to debts arising prior to the entry into force of this Act.