Translation from Finnish
Legally binding only in Finnish and Swedish
Ministry of Finance, Finland

Act on Investment Services

(747/2012; amendments up to 595/2023 included)

By decision of Parliament, the following is enacted:

PART I
GENERAL PROVISIONS AND THE RIGHT TO PROVIDE INVESTMENT SERVICES

Chapter 1 (1069/2017)
General provisions

Section 1 (1069/2017)
Scope of application

This Act shall apply to business operations in which investment services are provided or investment activities are performed.

Section 2 (1069/2017)
Exemptions from the scope of application of the Act

This Act shall not be applied if:

1) the service is provided solely to a party with a legal obligation to keep books and belonging to the same group;

2) operations are carried out in an incidental manner in the course of other business or professional activity separately regulated by legal or regulatory provisions or a code of ethics governing the profession;

3) the business operator deals on its own account in financial instruments other than commodity derivatives or emission allowances or derivatives thereof and does not provide any other

investment services or perform any other investment activities in said other financial instruments unless it:

a) acts as a market maker;

b) is a member of or a participant in a regulated market or an MTF or has direct electronic access to the market with the exception of non-financial firms that execute transactions in a trading venue which are objectively measurable as reducing risks directly relating to the commercial activity or treasury financing activity of these non-financial firms or their groups;

c) applies a high-frequency algorithmic trading technique; or

d) deals on its own account when executing client orders;

4) the business operator, as an ancillary main activity to its main business, deals on its own account, including market makers, in commodity derivatives, emission allowances or derivatives thereof, excluding persons who deal on own account when executing client orders or, if the business operator provides investment services, other than dealing on own account, related to said financial instruments to the customers or suppliers of its main business provided that:

a) the main business of the business operator or its group is not the provision of investment services, activities referred to in Annex I of the Credit Institutions Directive or market making in commodity derivatives; (939/2021)

b) the business operator does not apply a high-frequency algorithmic trading technique; and

c) the business operator upon request notifies the Financial Supervisory Authority of the basis on which it considers its activity ancillary to its main business; (939/2021)

5) the business operator provides investment advice in the course of providing another professional activity not covered by this Act, provided that the provision of investment advice is not remunerated. (939/2021)

6) the question is of a crowdfunding service provider referred to in Article 2, paragraph 1, point (e) of Regulation (EU) 2020/1503 of the European Parliament and of the Council on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937. (939/2021)

Subparagraphs a-d of subsection 1, paragraph 3 above shall not be applied if the exemption from the scope of application of this Act based on subsection 1, paragraph 4 or subsection 3, paragraph 2 or 4 applies to the business operator. (294/2019)

This Act shall not apply to:

1) the Finnish State Treasury, the European Central Bank, the Bank of Finland, national central banks, other public bodies charged with or intervening in the management of public debt in the Union and international financial institutions established by Member States which have the purpose of mobilising funding and providing financial assistance to the benefit of their members that are experiencing or threatened by severe financing problems;

2) management companies and depositaries referred to in the Act on Common Funds (213/2019) or to managers of alternative investment funds referred to in the Act on Alternative Investment Fund Managers (162/2014), their depositaries, special depositaries and managers unless otherwise provided in sections 4 and 6 of this chapter; (218/2019)

3) personnel funds referred to in the Act on Personnel Funds (934/2010)

4) insurance companies referred to in the Act on Insurance Companies (521/2008), pension insurance companies referred to in the Act on Employees' Pension Insurance Companies (354/1997), foreign insurance companies referred to in the Act on Foreign Insurance companies (398/1995) or pension associations referred to in the Act on Pension Associations (1250/1987);

5) pension foundations or pension funds referred to in the Act on Pension Foundations and Pension Funds (946/2021) or to supplementary pension foundations, supplementary pension funds, EEA supplementary pension foundations and EEA supplementary pension funds referred to in the Act on Supplementary Pension Foundations and Supplementary Pension Funds (947/2021); (966/2021)

6) operators referred to in section 6, subsection 1, paragraph 8 of the Emissions Trading Act (311/2011) and aircraft operators referred to in section 3, subsection 1, paragraph 5 of the Act on Aviation Emissions Trading (34/2010) who, when dealing in emission allowances, do not execute client orders and who do not provide any investment services or perform any investment activities other than dealing on own account, provided that said persons do not apply a high-frequency algorithmic trading technique;

7) the transmission grid operators referred to in the Electricity Markets Act (588/2013) and the transmission network operators referred to in the Natural Gas Markets Act (587/2017), when carrying out the functions approved in accordance with said Acts or with Regulation (EC) No 714/2009 of the European Parliament and of the Council on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003 or Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 or with the network codes or guidelines approved under said Regulations, persons acting on their behalf as service providers and carrying out the functions in accordance with the network codes or guidelines adopted pursuant to said statutes or said Regulations as well as any operator or administrator of an energy balancing mechanism, pipeline network or system to keep in balance the supplies and uses of energy when carrying out said functions.

The exemption referred to in subsection 3, paragraph 7 above shall apply to persons engaged in the activities referred to in said paragraph only where they perform investment activities in commodity derivatives or provide related investment services in order to perform said activities. The exemption shall, however, not apply to the operation of a secondary market, including a platform for secondary trading in financial transmission rights.

The application of this Act on a central securities depository referred to in chapter 1, section 3, paragraph 5 and a foreign central securities depository referred to in paragraph 6 of the Act on the Book-Entry System and Settlement Activities (348/2017) shall be governed by Article 73 of Regulation (EU) 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.

Section 3 (1069/2017)
Partial exemptions from the scope of application of the Act

This Act shall not be applied to persons who:

1) as provided for in chapter 1, section 15, paragraphs 1 and 5, only receive and transmit orders relating to securities referred to in chapter 1, section 14, paragraphs 1 and 2 or other units of collective investment undertakings and provide independent investment advice in relation to such financial instruments provided that the orders are allowed to be transmitted only to a credit institution, a management company, an investment firm or an alternative investment fund manager or to a branch in Finland of a foreign EEA investment firm, a foreign EEA credit institution, a foreign EEA management company or a foreign EEA alternative investment fund manager or to a branch in Finland of an investment firm or a credit institution authorised in a third country that complies with this Act or the operating stability provisions corresponding to those in the Act on Credit Institutions (610/2014); (294/2019)

2) provide investment services exclusively in commodities, emission allowances or their derivatives for the sole purpose of hedging the commercial risks of their clients, where those clients are exclusively local electricity undertakings as defined in Article 2, paragraph 35 of Directive 2009/72/EC of the European Parliament and of the Council concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC or natural gas undertakings as defined in Article 2, paragraph 1 of Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC and provided that those clients jointly hold 100 per cent of the capital or voting rights of those persons, exercise joint control and are exempt under section 2, subsection 1, paragraph 4 of the Act if they provide those investment services themselves; or

3) provide investment services exclusively in emission allowances or their derivatives for the sole purpose of hedging the commercial risks of their clients, where those clients are exclusively operators as defined in Article 3, point (f) of Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, and provided that those clients jointly hold 100 per cent of the capital or voting rights of those persons, exercise joint control and are exempt

under section 2, subsection 1, paragraph 4 of the Act if they provide said investment services themselves.

The persons referred to in subsection 1 above shall, however, be governed by the provisions of chapter 2, section 1; chapters 3, 6a and 6b; chapter 7, sections 1, 2, 4, 5 and 7, subsections 4–6 and sections 9 and 16; chapter 10, sections 1–4 and 5, subsections 1–3, sections 6, 7, 11, 12, 15 and 16; chapter 12, sections 1–3; and the provisions of chapters 15, 16 and 16a. (294/2019)

The persons referred to in subsection 1 above shall also be governed by provisions, regulations and provisions in Commission regulations issued under the markets in financial instruments directive that are more specific than the provisions in subsection 2; provisions in title IV and article 42 in the EU regulation on markets in financial instruments; as well as the provisions in Commission regulations issued under these provisions in the regulation. (294/2019)

The persons referred to in subsection 1 above are not allowed to hold client financial instruments or funds (client funds), and they are not allowed to place themselves in debt with their clients. Taking into consideration the scale and nature of their operations, the persons shall hold professional indemnity insurance deemed sufficient by the Financial Supervisory Authority. The insurer shall have its registered office in a State belonging to the European Economic Area (an EEA Member State) unless the Financial Supervisory Authority grants an exemption therefrom on application. The insurance policy must also meet the following terms:

1) the insurance shall be in force to compensate for the damage that the person is responsible for in accordance with this Act;

2) the sum insured shall be a minimum of EUR 1,000,000 per loss and a total of EUR 1,500,000 for all losses in a year;

3) if the insurance policy incorporates a deductible, the insurer shall pay the insurance compensation to the party suffering the loss without subtracting the deductible;

4) the insurance shall compensate a loss that arises as a result of an act or omission that occurred during the period of insurance and for which a written claim for compensation is presented to the

notice provider or the insurer during the validity of the insurance policy or within three years of the expiry of the policy.

The services referred to in subsection 1 above may be provided from Finland to another country unless it is prohibited in that country. (294/2019)

When providing investment services, a person referred to in this section shall provide the client with clear information that the service provider is not governed by all the provisions of the Act on professional competence, organisation of operations and procedure.

Section 4 (1069/2017)
Provisions applicable to credit institutions, management companies and Alternative Investment Fund Managers (AIFMs)

A credit institution which provides investment services or performs investment activity as well as provides ancillary services shall, with regard to these services, be governed by the provisions on investment firms of chapter 2, section 2; chapter 6b, sections 2, 5 and 6; chapter 7, sections 2 and 5 and section 6, subsections 1–3, 5 and 6, sections 7–9, 12–14 and 16; chapters 7a and 9–11; chapter 13, sections 1 and 6 of this Act, to the extent that they relate to the use of a tied agent, and of chapter 15 and chapter 16, section 2 of this Act as well as of chapter 3, section 16, subsection 1; chapter 4, section 6, subsection 2; chapter 5, sections 12 and 14 and chapter 6 of the Act on Trading in Financial Instruments (1070/2017) and of chapter 5, section 1, subsection 2 of the Act on the Book-Entry System and Settlement Activities. (513/2019)

A management company which provides investment services as provided in the Act on Common Funds shall, with regard to these services, be governed by the provisions on investment firms of chapter 2, section 2; chapter 6, section 1, subsection 2 or 3; chapter 6b, sections 5 and 6; chapter 7, sections 2, 5, 7–9, 12–14 and 16; chapter 9; chapter 10, sections 1–4, 4a, 5, 5a, 5b, 6, 7, 15 and 16; chapters 11, 12 and 15; and chapter 16, sections 2 and 3 of this Act, as well as of Article 26 of the EU Markets in Financial Instruments Regulation. A manager of an alternative investment fund who provides investment services as provided in the Act on Alternative Investment Fund Managers shall, with regard to these services, be governed by the provisions on investment firms of chapter 2, section 2; chapter 6, section 1, subsection 2 or 3; chapter 6b, sections 5 and 6; chapter 7, sections 2, 5, 7–9, 12–14 and 16; chapters 9, 9a, 10, 11 and 15; and

chapter 16, sections 2 and 3 of this Act, as well as of Article 26 of the EU Markets in Financial Instruments Regulation. (365/2023)

The provisions of chapter 16, section 1 on the liability for damages of the investment firm and its owners, Managing Director and members of the Board of Directors shall correspondingly apply to a credit institution, a management company and an AIFM referred to in this section as well as to their owners, Managing Director and members of the Board of Directors.

Section 5 (1069/2017)
Provisions applicable to a foreign EEA investment firm and a foreign EEA credit institution

The right of a foreign EEA investment firm to provide investment services or to perform investment activity as well as to provide ancillary services through a branch in Finland and the requirements to be set on such activity shall be governed by the provisions of section 13; chapter 2, section 2, subsection 1; chapter 4, section 1, subsections 1–3 and 6; chapter 7, section 2, subsection 6 and sections 7, 15 and 16; chapter 7a, section 5; chapter 10, sections 1–4, 4a, 5–9, 11–14 and 16; chapter 11, sections 18, 19 and 22–25; chapter 12, sections 3a and 4; chapters 14 and 15; and chapter 16, sections 2 and 3. (248/2021)

A foreign EEA credit institution which provides investment services or performs investment activity as well as provides ancillary services in Finland through a branch shall, with regard to these services and this activity, be subject to application of section 13; chapter 2, section 2, subsection 1; chapter 4, section 1, subsections 4–6; chapter 7, section 2, subsection 6 and sections 7, 15 and 16; chapter 7a, section 5; chapter 10, sections 1–4, 4a, 5–9, 11–14 and 16; chapter 11, sections 18, 19 and 22–25; chapter 12, section 4; chapters 14 and 15; and chapter 16, sections 2 and 3. (248/2021)

A foreign EEA investment firm and a foreign EEA credit institution that provides parties established in Finland a direct possibility to trade in a multilateral trading facility or in an organised trading facility shall be governed by the provisions of chapter 4, section 2, subsection 7.

Application of the Act to a foreign EEA investment firm and a foreign EEA credit institution that provides investment services or performs investment activity in Finland without establishing a branch shall be provided in chapter 4, section 2.

The requirements for the activities referred to in subsections 1 and 2 shall be governed by Articles 14-26 as well as Part VII of Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012 (the EU Markets in Financial Instruments Regulation).

Section 6 (1069/2017)
Provisions applicable to foreign EEA management companies and EEA AIFMs

A foreign EEA management company which provides investment services in Finland as well as an EEA AIFM referred to in the Act on AIFMs which provides investment services in Finland through a branch shall, with regard to these services, be subject to application of chapter 2, section 2; chapter 7, section 2, subsection 6 and sections 15 and 16; chapter 7a, section 5; chapter 10, sections 1–4, 4a, 5–9, 11–14 and 16; and chapter 11, sections 18, 19 and 22–25 on a foreign EEA investment firm and of chapter 15 on a foreign investment firm as well as chapter 16, section 2 of this Act. (248/2021)

Application of the Act to a foreign EEA investment firm and a foreign EEA credit institution that provides investment services or performs investment activity in Finland without establishing a branch shall be provided in chapter 4, section 2.

The provisions of chapter 14, section 3 on the liability for damages of a foreign investment firm and the manager of its branch shall correspondingly apply to a foreign EEA management company referred to in this section and the manager of its branch as well as an EEA AIFM and the manager of its branch.

Section 7 (1069/2017)
Provisions applicable to a third-country firm

A third country firm that provides investment services or performs investment activity in Finland through a branch shall, with regard to these services, be governed by the provisions of chapter 2,

section 2; chapter 5; chapter 7, sections 2, 4, 5, 7, 9, 15 and 16; chapters 7a and 9; chapter 10, sections 1-4, 4a, 5-8 and section 9, subsections 1 and 2 and sections 11-13, 15 and 16; chapter 11, sections 20-25; chapter 12, section 4; chapters 14 and 15 as well as of chapter 16, sections 2 and 3 of this Act on an investment firm and a third-country firm, the provisions of chapter 5 of the Act on Trading in Financial Instruments on an investment firm and a third-country firm as well as the provisions of chapter 7, section 6 of the Act on Credit Institutions on a credit institution. The requirements applicable to the activities of a third-country firm shall further be governed by Articles 3-17, 17a and 18-26 and Part VII of the EU Markets in Financial Instruments Regulation. (248/2021)

The right of a third-country firm to provide investment services or to perform investment activity in Finland following an equivalence decision or without establishing a branch shall be laid down in Articles 46-49 of the EU Markets in Financial Instruments Regulation.

A third country-firm that, authorised by the Financial Supervisory Authority, provides investment services or performs investment activity and provides ancillary services in Finland without establishing a branch, as provided in chapter 5, section 7, subsection 2, shall, with regard to these services, be governed by the provisions in subsection 1 of this section, with the exception of such obligations provided in these provisions that are only directed at clients referred to in section 23, subsections 2 and 3, of this chapter. (294/2019)

Section 7a (513/2019)
Transmission of shareholder identification data and facilitation of the exercise of shareholder rights

The provisions of chapter 9a on the obligation of an investment firm to transmit shareholder identification data and facilitate the exercise of shareholder rights shall apply to a credit institution referred to in section 4, subsection 1 of this chapter, and to a management company and an alternative investment fund manager referred to in section 4, subsection 2, of this chapter.

The provisions of chapter 9a on the obligation of an investment firm to transmit shareholder identification data and facilitate the exercise of shareholder rights shall apply to a foreign investment firm referred to in section 13, subsection 1, paragraph 2 below; a foreign central securities depository referred to in chapter 1, section 3, paragraph 6 of the Act on the Book-Entry

System and Settlement Activities; an EEA management company referred to in chapter 1, section 2, subsection 1, paragraph 19 of the Act on Common Funds; and EEA alternative investment fund managers referred to in chapter 2, section 2, subsection 2 of the Act on Alternative Investment Fund Managers.

Section 8 (1069/2017)
Provisions applicable to the sale of structured deposits and related investment advice

An investment firm and a credit institution that sells structured deposits or provides related investment advice in Finland shall, with regard to these functions, be governed by the provisions of chapter 6b, section 2; chapter 7, section 2, subsections 2 and 6, section 6, subsections 1-3 and 5 and sections 7, 9 and 16; chapter 10, sections 1-7, 9-11, 13, 15 and 16; chapters 11, 12 and 15 and chapter 16, sections 2 and 3 of this Act as well as chapter 7, section 6 of the Act on Credit Institutions.

A branch of a foreign EEA investment firm and a foreign EEA credit institution that sells structured deposits or provides related investment advice in Finland shall, with regard to these functions, be governed by the provisions of chapter 7, section 2, subsection 6 and section 16; chapter 10, sections 1-7, 9 and 16; chapter 12, section 4; chapter 15 as well as chapter 16, sections 2 and 3 of this Act.

A branch of a third-country firm, which sells structured deposits or provides related investment advice in Finland shall, with regard to these functions, be governed by the provisions of chapter 7, section 2, subsections 2 and 6 and sections 7, 9 and 16; chapter 10, sections 1-7, 9, 11, 13, 15 and 16; chapter 12, section 4; chapters 14 and 15 as well as chapter 16, sections 2 and 3 of this Act.

A third country-firm that, authorised by the Financial Supervisory Authority, sells structured deposits or provides related investment advice in Finland without establishing a branch, as provided for in chapter 5, section 7, subsection 2, shall be governed by the provisions in subsection 3 of this section, with the exception of such obligations laid down in these provisions that are only directed at clients referred to in section 23, subsections 2 and 3 of this chapter. (294/2019)

Section 9 (1069/2017)
Provisions applicable to algorithmic trading

Notwithstanding the provisions of section 2, the provisions of chapter 7a on algorithmic trading shall also be applied to trading parties referred to in chapter 1, section 2, subsection 1, paragraph 15 of the Act on Trading in Financial Instruments which are not required to have an authorisation in accordance with this Act under section 2, subsection 1, paragraph 4 and subsection 3, paragraphs 3, 5 and 7.

Section 10 (1069/2017)
Provisions applicable to the control of and reporting on position limits and positions in commodity derivatives

Notwithstanding the provisions of section 2, the provisions of chapter 3, section 26; chapter 7, sections 6 and 8 and chapter 10, sections 3 and 4 of the Act on Trading in Financial Instruments shall also be applied to persons referred to in section 2.

Section 11 (1069/2017)
European Union legislation, the European Securities and Markets Authority and the European Banking Authority

For the purposes of this Act:

1) the *Markets in Financial Instruments Directive* means Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;

2) the *EU Markets in Financial Instruments Regulation* means Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012;

3) the *UCITS Directive* means Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS);

4) the *Directive on Alternative Investment Fund Managers* means Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;

5) the *Credit Institutions Directive* means Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC; (523/2021)

6) the *EU Capital Requirements Regulation* means Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012; (523/2021)

7) the *EU Central Securities Depositories Regulation* means 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;

8) the *EU Market Abuse Regulation* means 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;

9) the *European Securities and Markets Authority* means the European Securities and Markets Authority referred to in Regulation (EU) No 1095/2010 of the European Parliament and of the Council establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC;

10) the *European Banking Authority* means the European Banking Authority referred to in Regulation (EU) No 1093/2010 of the European Parliament and of the Council establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC.

11) the *Commission Delegated Directive* means Commission Delegated Directive (EU) 2017/593 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits; (523/2021)

12) the *Investment Firms Directive* means Directive (EU) 2019/2034 of the European Parliament and of the Council on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU; (523/2021)

13) the *EU investment firms regulation* means Regulation (EU) 2019/2033 of the European Parliament and of the Council on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014. (523/2021)

14) the *Bank Recovery and Resolution Directive* means Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council; (523/2021)

15) the *Audit Directive* means Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC; (365/2023)

16) the *DLT Pilot Regime* means Regulation (EU) 2022/858 of the European Parliament and of the Council on a pilot regime for market infrastructures based on distributed ledger technology, and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU. (365/2023)

Section 12 (523/2021)
Technical standards and delegated regulations of the European Union

In addition to this Act, the provisions and regulations issued thereunder, the EU Markets in Financial Instruments Regulation and the EU Investment Firms Regulation, provisions on investment firms are included in the technical standards and delegated regulations issued by a Commission regulation or decision and referred to in the EU Markets in Financial Instruments Regulation and the Markets in Financial Instruments Directive, the EU Investment Firms Regulation and the EU Investment Firms Directive.

Section 13 (1069/2017)
Investment firm, foreign investment firm, EEA Member State, third country, foreign EEA supervisory authority, third-country supervisory authority, foreign EEA investment firm, foreign EEA credit institution, third-country firm, branch and mixed-activity holding company (523/2021)

For the purposes of this Act:

1) an *investment firm* means a Finnish limited liability company, a European company referred to in the Act on European Companies (742/2004) or an entrepreneur referred to in chapter 2, section 1, subsection 2 of this Act that holds an authorisation in accordance with this Act to provide investment services or to engage in investment activity; (294/2019)

2) a *foreign investment firm* means a foreign EEA investment firm, a foreign EEA credit institution and a third-country firm;

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

4) a *third country* means a State other than an EEA Member State;

5) a *foreign EEA supervisory authority* means a competent authority corresponding to the Financial Supervisory Authority of an EEA Member State other than Finland;

6) a *third-country supervisory authority* means a competent authority corresponding to the Financial Supervisory Authority of a third country;

7) a *foreign EEA investment firm* means a foreign investment firm authorised by a foreign EEA supervisory authority to provide investment services or to perform investment activity;

8) a *foreign EEA credit institution* means a foreign credit institution referred to in chapter 1, section 7, subsection 3 of the Act on Credit Institutions authorised to provide investment services or to perform investment activity as well as to provide ancillary services;

9) a *third-country firm* means a foreign firm that would be a credit institution or an investment firm providing investment services or performing investment activities if its registered office were located within the European Economic Area;

10) a *mixed-activity holding company* means a parent undertaking, other than a financial holding company referred to in Article 4, paragraph 1, point 16 of the EU Investment Firms Regulation, an investment holding company referred to in Article 4, paragraph 2, point 23 of the EU Investment Firms Regulation, a credit institution, an investment firm or a mixed financial holding company referred to in Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council, the subsidiaries of which include at least one investment firm; (523/2021)

11) a *branch* means a place of business of an investment firm or a foreign investment firm, located in a State other than the home State, which is legally part of the investment firm or foreign investment firm and which provides investment services or performs investment activities and which may also provide ancillary services; all the places of business, set up in the same Member State by the investment firm with the head office in another Member State, shall be regarded as a single branch.

The provisions of this Act on a branch of a foreign EEA investment firm shall apply to a tied agent of a foreign EEA investment firm established in Finland.

Section 14 (1069/2017)
Financial instrument

For the purposes of this Act a *financial instrument* means, including instruments issued with distributed ledger technology: (365/2023)

1) a security referred to in the Securities Markets Act (746/2012);

2) a unit of UCITS and a money-market instrument which is not a security referred to in paragraph 1;

3) an option, a future or another derivative contract relating to a security, a currency, an interest rate, a yield, emission allowance, another derivative contract, a financial index or another index which may be settled physically or in cash;

4) options, forwards or other derivative contracts relating to commodities that must or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;

5) options or other derivative contracts relating to commodities that can be physically settled when they are traded on a regulated market or an MTF or an OTF as referred to in the Act on Trading in Financial Instruments with the exception of wholesale energy products traded on an OTF that must be physically settled;

6) options, forwards and other derivative contracts relating to commodities that can be physically settled, other than those referred to in paragraph 5, if the derivative contract is not meant for commercial purposes and has the characteristics of other derivative contracts;

7) a derivative contract for the transfer of credit risk;

8) a financial contract for differences;

9) options, forwards and other derivative contracts relating to climatic variables, freight rates, inflation rates or other official economic statistics that must or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and other indices than those referred to in this section, which have the characteristics of other derivative contracts having regard to whether they are traded on a regulated market, an MTF or an OTF as referred to in the Act on Trading in Financial Instruments;

10) emission allowances recognised for compliance with the requirements of Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (Emissions Trading Scheme) as well as mutually between the EU Emissions Trading Scheme and other greenhouse gas emission trading schemes.

Section 15 (1069/2017)
Investment services or investment activities

For the purposes of this Act, *investment services* or *investment activities* mean:

1) reception and transmission of orders relating to financial instruments (*transmission of orders*);

2) execution of orders relating to financial instruments on behalf of clients (*execution of orders*);

3) trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments (*dealing on own account*);

4) management of financial instruments under a client-specific contract in which the decision-making power has in full or part been granted to the contractor (*asset management*);

5) provision of a personal recommendation to a client in respect of a transaction relating to a specific financial instrument (*investment advice*);

6) placing or sale of financial instruments on a firm commitment basis (*underwriting*);

7) placing or sale of financial instruments without a firm commitment basis (*emission arrangement*);

8) arrangement of trading in financial instruments on an MTF referred to in the Act on Trading in Financial Instruments (*operation of Multilateral Trading Facility*);

9) arrangement of trading in bonds, structured finance products, emission allowances or derivative contracts in an OTF as referred to in the Act on Trading in Financial Instruments (*arrangement of organised trading*).

Section 16 (1069/2017)
Credit institution and financial institution

In this Act a *credit institution* means a credit institution referred to in chapter 1, section 7 of the Act on Credit Institutions.

In this Act a *financial institution* means a financial institution referred to in chapter 1, section 11 of the Act on Credit Institutions.

Section 17 (1069/2017)
Management and operative management

For the purposes of this Act, management means the board of directors of an investment firm and, if the company has a supervisory board, the supervisory board, the managing director as well as all those acting directly subordinate to the Managing Director who hold senior managerial positions in the investment firm or who effectively conduct the activities of the firm.

For the purposes of this Act, senior management means the Managing Director of an investment firm as well as all those acting directly subordinate to the Managing Director who hold senior managerial positions in the investment firm or effectively conduct the activities of the firm.

Section 18 (1069/2017)
Group, parent company and subsidiary

In this Act a *group*, a *parent company* and a *subsidiary* mean the group, parent company and subsidiary referred to in the Accounting Act (1336/1997) as well as a comparable foreign group, parent company and subsidiary.

Section 19 (523/2021)
Services undertaking

For the purposes of this Act, a services undertaking means an ancillary services undertaking referred to in Article 4, paragraph 1, point 1 of the EU Investment Firms Regulation which, as its principal activity, provides services to one or several investment firms by owning or managing property or which provides data-processing services or other corresponding services related to the principal activity of one or several investment firms.

Section 20 (1069/2017)
Holding company

For the purposes of this Act, a *holding company* means:

1) an investment holding company referred to in Article 4, paragraph 1, point 23 of the EU Investment Firms Regulation; and

2) a mixed financial holding company referred to in Article 4, paragraph 1, point 21 of the EU Capital Requirements Regulation the subsidiaries of which include at least one investment firm.

(523/2021)
The Financial Supervisory Authority shall, after having learned that a company other than a credit institution or investment firm has become the parent company of an investment firm, make a decision on whether the company shall be deemed a holding company referred to in subsection 1.

Section 21 (523/2021)
Consolidation group under the Act on Credit Institutions

In this Act, a consolidation group under the Act on Credit Institutions means a consolidation group referred to in chapter 1, section 16 of the Act on Credit Institutions.

Section 21a (523/2021)
Investment firm consolidation group

In this Act, an *investment firm consolidation group* means the undertakings referred to in Article 4, paragraph 1, point 11 of the EU Investment Firms Regulation.

The provisions on the scope of the consolidated supervision applicable to an investment firm consolidation group are laid down in the EU Investment Firms Regulation.

Section 22 (1069/2017)
Outsourcing

For the purposes of this Act, outsourcing means an arrangement relating to the activities of an investment firm by which another service provider performs a function or service for the investment firm that would otherwise be undertaken by the investment firm itself.

Section 23 (1069/2017)
Client, professional client and retail client

For the purposes of this Act, a *professional client* means:

1) an entity which is authorised or regulated to operate in the financial markets and an entity corresponding thereto under foreign supervision by the authorities:

a) an investment firm;

b) a credit institution referred to in the Act on Credit Institutions;

c) a management company and a depositary referred to in the Act on Common Funds as well as a manager of an alternative investment fund, a depositary and a special depositary referred to in the Act on Alternative Investment Fund Managers;

d) a stock exchange referred to in the Act on Trading in Financial Instruments;

e) a central securities depositary, a foreign central securities depositary, and a central counterparty referred to in Act on the Book-Entry System and Settlement Activities;

f) an insurance company referred to in the Act on Insurance Companies;

g) a pension insurance company referred to in the Act on Pension Insurance Companies, a pension foundation and a pension fund referred to in the Act on Pension Foundations and Pension Funds, and a supplementary pension foundation, supplementary pension fund, EEA supplementary pension foundation, and EEA supplementary pension fund referred to in the Act on Supplementary Pension Foundations and Supplementary Pension Funds; (966/2021)

h) local firms referred to in Article 4, paragraph 1, point 4 of the EU Capital Requirements Regulation;

i) an undertaking which buys and sells commodities and commodity derivatives on own account;

j) an institutional investor other than one referred to in subparagraphs a-i;

2) a large undertaking which, according to its annual accounts drawn up of the last-ended full financial period, meets at least two of the following criteria:

a) the balance sheet total exceeds EUR 20,000,000;

b) the turnover exceeds EUR 40,000,000;

c) the own funds exceed EUR 2,000,000;

3) the State of Finland, the Finnish Treasury, the Province of Åland, a foreign State and state as well as a foreign public body that manages public debt;

4) the European Central Bank, the Bank of Finland and a corresponding foreign central bank as well as the IMF, European Investment Bank, the World Bank and another corresponding international community or organisation;

5) an institutional investor whose main activity is to invest in financial instruments;

6) another client which the investment firm treats as professional on the basis of subsection 2.

An investment firm may treat a client other than one referred to in subsection 1, paragraphs 1-5 as professional at the own request of the client if it assesses that the client is capable of making independent investment decisions and understands the risks involved therein and if the client satisfies, as a minimum, two of the following criteria:

1) the client has carried out transactions in significant size on the relevant market at an average frequency of 10 per quarter over the previous four quarters;

2) the size of the client's investment portfolio exceeds EUR 500,000;

3) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions and services envisaged.

In this Act a *retail client* means a client other than a professional client referred to in subsection 1.

For the purposes of this Act, a *client* means a natural or legal person to whom an investment firm provides investment and ancillary services.

Section 24 (1069/2017)
Eligible counterparty

In this Act an *eligible counterparty* means:

1) a client referred to in section 23, subsection 1, paragraphs 1, 3 and 4;

2) an undertaking referred to in section 23, subsection 1, paragraph 2, which has consented to being treated as an eligible counterparty;

Section 25 (1069/2017)
Algorithmic trading and direct electronic access

For the purposes of this Act, *algorithmic trading* means trading in financial instruments where a computer algorithm automatically determines the individual parameters of orders.

For the purposes of this Act, *high-frequency algorithmic trading* means any algorithmic trading technique characterised by:

1) infrastructure intended to minimise network and other types of latencies, including at least one of the following facilities for algorithmic order entry: co-location or proximity hosting or high-speed direct electronic access;

2) system determination of order initiation, generation, routing or execution without human intervention for individual trades or orders; and

3) high message intraday rates which constitute orders, quotes or cancellations.

For the purposes of this Act, *direct electronic access* means an arrangement where a trading party permits a client to use its trading code so the client can electronically transmit orders relating to a financial instrument directly to the trading venue. (294/2019)

Section 26 (1069/2017)
Other definitions

For the purposes of this Act:

1) a *structured deposit* means a deposit as defined in Article 2, paragraph 1, point (c) of Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes, which

is fully repayable at maturity on terms under which interest or a premium will be paid or is at risk, according to a formula involving factors such as:

a) an index or combination of indices, excluding variable rate deposits whose return is directly linked to an interest rate index, such as Euribor or Libor;

b) a financial instrument or combination of financial instruments;

c) a commodity or combination of commodities or other physical or non-physical non-fungible assets; or

d) a foreign exchange rate or combination of foreign exchange rates;

2) *depositary receipts* mean securities which are negotiable on the capital market and which represent ownership of the securities of a non-domiciled issuer while being able to be admitted to trading on a regulated market and traded independently of the securities of the non-domiciled issuer;

3) an *exchange-traded fund* means a fund of which at least one unit or share class is traded throughout the day on at least one trading venue so that at least one market maker ensures that the price of its units or shares on the trading venue does not vary significantly from its net assets and, where applicable, from its indicative net asset value;

4) *certificates* mean the certificates as defined in Article 2, paragraph 1, point 27 of the EU Markets in Financial Instruments Regulation;

5) *structured finance products* mean the structured finance products as defined in Article 2, paragraph 1, point 28 of the EU Markets in Financial Instruments Regulation;

6) *derivative contracts* mean the derivatives as defined in Article 2, paragraph 1, point 29 of the EU Markets in Financial Instruments Regulation;

7) *commodity derivatives* mean the commodity derivatives as defined in Article 2, paragraph 1, point 30 of the EU Markets in Financial Instruments Regulation;

8) *wholesale energy product* means a wholesale energy product as defined in Article 2, paragraph 4 of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency,

9) *cross-selling practice* means the offering of an investment service together with another service or product as part of a package or as a condition for the same agreement or package;

10) a *market maker* means a person who holds themself out on the financial markets on a continuous basis as being willing to deal on their own account by buying and selling financial instruments against their proprietary capital at prices defined by themself;

11) *execution of orders on behalf of clients* means acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients and includes the conclusion of agreements to sell financial instruments issued by an investment firm or a credit institution at the moment of their issuance;

12) *matched principal trading* means a transaction where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction;

13) a *systematic internaliser* means the systematic internaliser as referred to in chapter 1, section 2, subsection 1, paragraph 16 of the Act on Trading in Financial Instruments;

14) *qualifying holding* means a direct or indirect holding in an investment firm which represents 10 per cent or more of the capital or of the voting rights carried by the shares as set out in Articles 9 and 10 of Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, taking into account the conditions regarding aggregation thereof laid down in Article 12, paragraphs 4 and 5 of said Directive, or which makes it possible to exercise a significant influence over the management of the investment firm in which that holding subsists;

15) *close link* means a situation in which two or more natural or legal persons are linked by:

a) participation in the form of ownership, direct or by way of control, of 20 per cent or more of the voting rights or capital of an undertaking;

b) control, which means the relationship between a parent undertaking and a subsidiary, in all the cases referred to in Article 22, paragraphs 1 and 2 of Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, or a similar relationship between any natural or legal person and an undertaking, so that any subsidiary undertaking of a subsidiary undertaking is considered to be a subsidiary of the parent undertaking which is at the head of the undertakings;

c) a permanent link of both or all of them to the same person by a control relationship; (513/2019)

16) the *Shareholder Rights Directive* means Directive 2007/36/EC of the European Parliament and of the Council on the exercise of certain rights of shareholders in listed companies; (523/2021)

17) a *commodity and emission allowance dealer* means a commodity and emission allowance dealer referred to in Article 4, paragraph 1, point 150 of the EU Capital Requirements Regulation; (939/2021)

18) a *make-whole clause* means a clause that protects the investor in the event of early redemption of a bond by obliging the issuer to pay to the investor an amount equal to the sum of the net present value of the remaining coupon payments expected until maturity and the principal amount of the bond to be redeemed; (365/2023)

19) a *DLT multilateral trading facility* (DLT MTF) means a multilateral trading facility that only admits to trading DLT financial instruments; (365/2023)

20) a *DLT trading and settlement system* (DLT TSS) means a DLT MTF or DLT settlement system (DLT SS) that combines services performed by a DLT MTF and a DLT SS. (365/2023)

Section 27 (1069/2017)
Supervision

Compliance with this Act and the provisions and regulations issued thereunder shall be supervised by the Financial Supervisory Authority as provided for in this Act and the Act on the Financial Supervisory Authority (878/2008).

The obligation of the Financial Supervisory Authority to engage in cooperation with the Consumer Ombudsman shall be provided for in chapter 5 of the Act on the Financial Supervisory Authority.

Chapter 2
Right to provide investment services or to perform investment activity (1069/2017)

Section 1 (1069/2017)
Provision of investment services or performance of investment activity subject to authorisation

Investment services may be provided or investment activity may be performed only by an undertaking which has been granted the authorisation referred to in this Act as well as by a foreign undertaking which has been granted an authorisation or a right in accordance with section 4 or 5 to provide investment services or to perform investment activity in Finland.

Notwithstanding the provisions of subsection 1, an entrepreneur which has been granted the authorisation referred to in this Act may receive and transmit orders as well as provide independent investment advice relating to a financial instrument referred to in chapter 1, section 3, subsection 1, paragraph 1. A private entrepreneur or a legal person, managed by a single natural person, shall have proportionate corporate governance to ensure compliance with the provisions in chapter 6b, sections 1a, 2, 2a, 2b and 3 in the offering of the said service. (18 June 2021/523)

Section 1a (365/2023)
Specific permission to operate a DLT MTF or DLT TSS

The specific permissions for DLT activities referred to in Article 8, paragraphs 1–3 and Article 10, paragraphs 1–3 of the DLT Pilot Regime are granted by the Financial Supervisory Authority. Before deciding a matter concerning a specific permission referred to in Article 10, the Financial Supervisory Authority shall request the Ministry of Finance and the Bank of Finland to provide statements on the application.

Section 2
Provision of investment services or performance of investment activity subject to another authorisation (1069/2017)

Notwithstanding the provisions of section 1, subsection 1, investment services may be provided or investment activity may be performed by a Finnish and foreign credit institution as provided for in the Act on Credit Institutions, a Finnish management company and a foreign EEA management company as provided for in the Act on Common Funds as well as by a Finnish and foreign manager of alternative investment funds as provided for in the Act on Alternative Investment Fund Managers. (1069/2017)

Notwithstanding the provisions of section 1, multilateral or organised trading may be operated by a stock exchange referred to in the Act on Trading in Financial Instruments. (1069/2017)

Chapter 3 of the Act on the Book Entry System and Settlement Activities governs the right to act as the account holder referred to in the said Act. (354/2017)

The operations of a central securities depository and the custodial account holder referred to in the Act on Book Entry Accounts (827/1991) as the custodian of securities shall be separately provided for.

Subsection 5 was repealed by Act 1069/2017.

Section 3 (1069/2017)
Ancillary services and the right to provide data reporting services

An investment firm may, in accordance with an authorisation granted, in addition to investment services or investment activity:

1) grant customers credit or other financing relating to investment services;

2) provide undertakings with advice on capital structures, operating strategy and related matters as well as advice and services relating to company mergers, purchases and other company restructuring;

3) provide foreign-exchange services connected to the provision of investment services;

4) produce and disseminate investment research, financial analysis as well as other corresponding general recommendations relating to transactions in financial instruments;

5) provide services relating to underwriting of emissions;

6) provide investment services and services corresponding to services referred to in this subsection related to the underlyings of derivative contracts which are not financial instruments, where the operations are connected to activities in derivative contracts;

7) provide safekeeping and administration of financial instruments for the account of clients, including custodianship and related services and excluding maintaining securities accounts at the top tier level as referred to in Section A, point 2 of the Annex of the EU Central Securities Depositories Regulation;

8) carry out other activities comparable to or closely related to the activities referred to in this subsection.

(294/2019)

The right of an investment firm which carries out the arrangement of multilateral trading or organised trading to provide data reporting services is governed by Article 27b, paragraph 2 of the EU Markets in Financial Instruments Regulation. (602/2021)

Section 3a (204/2022)
Offering of other investment targets than financial instruments

If the authorisation of the investment firm includes the right to transmit or execute orders, or to provide asset management or investment advice, it may also provide services relating to other investment targets than financial instruments as well as investment and financial advice relating to that investment target. If the authorisation of the investment firm includes the right to provide safekeeping of financial instruments, it may also provide services in compliance with the authorisation relating to other investment targets than financial instruments.

Section 4
Trade name

An undertaking other than an investment firm may, in its trade name or otherwise in its activity, use the term banker or bankers only if it is evident that the use of the term does not misleadingly refer to the activities of an investment firm.

Section 5 (735/2013)
Authority to issue decrees

Further provisions on which investment targets shall be deemed the other investment targets referred to in section 3a may be issued by a Decree of the Ministry of Finance.

Section 6 (294/2019)
Financial Supervisory Authority's power to issue provisions

The Financial Supervisory Authority may issue more detailed regulations on the contents of the proportionate corporate governance referred to in section 1, subsection 2, to ensure compliance with the provisions in chapter 6b, sections 1–3.

Chapter 3
Granting and withdrawal of the authorisation of an investment firm as well as the reliability of major owners

Section 1 (1069/2017)
Application for authorisation

The Financial Supervisory Authority shall grant the authorisation for the provision of investment services or performance of investment activity on application. If, under chapter 11, section 1, the investment firm has to belong to an investor compensation fund, hereinafter *the compensation fund*, the Financial Supervisory Authority shall, prior to deciding on the matter, request an opinion of the compensation fund on the application.

The application shall be appended with a programme of operations of the investment firm setting out the types of services envisaged and the organisational structure as well as all information necessary to enable the Financial Supervisory Authority to satisfy itself that the investment firm complies with the requirements provided in this Act and the Commission Regulations and Decisions issued under the Markets in Financial Instruments Directive on the envisaged operations at the time of initial authorisation.

The Financial Supervisory Authority may issue further regulations on the information to be submitted in the application as well as on appendices to be enclosed with the application, unless otherwise provided in subsection 2.

If the organisation applying for an authorisation is a subsidiary of an investment firm, credit institution, market operator or insurance company authorised in another EEA Member State or a subsidiary of a parent company of such investment firm, credit institution or insurance company, an opinion of the foreign EEA supervisory authority shall be requested on the application. The same procedure shall apply if control in the organisation applying for the authorisation is exercised by the same natural or legal persons that exercise control over such investment firm, credit institution or insurance company. In the request for an opinion, the party submitting the opinion shall especially be requested to assess the suitability of the shareholders as well as the reputation and experience of the managers participating in the management of another undertaking

belonging to the same group as well as notify any information regarding the said issues with relevance to the granting of the authorisation or the supervision of the investment firm.

Section 1a (523/2021)
Special provision on authorisation of certain investment firms

An investment firm which has been granted authorisation for the dealing on its own account or the underwriting referred to in chapter 1, section 15, subsection 1, paragraph 3 or 6, shall submit an application for authorisation as a credit institution when the average of its monthly total assets meets at least the thresholds set out in Article 4, paragraph 1, point 1, sub-point b of the EU Capital Requirements Regulation over a period of 12 consecutive months.

The investment firm referred to above in subsection 1 may continue to perform the investment activities referred to in the subsection until it has been granted an authorisation in accordance with the Act on Credit Institutions.

The Financial Supervisory Authority shall inform the investment firm or the applicant for authorisation as an investment firm when it considers the thresholds referred to in subsection 1 to be met.

Section 2
Decision on the authorisation

The application for authorisation shall be decided on within six months from receipt of the application or, if the application has been defective, from the date on which the applicant has submitted the documents and accounts necessary to decide the matter. A decision on the authorisation shall, however, be made within 12 months of receipt of the application. If the decision is not issued within the period laid down, the applicant may file an appeal with the Helsinki Administrative Court. The appeal is then considered to be directed at the decision on rejection of an application. A complaint may be filed until the decision has been issued. The Financial Supervisory Authority shall notify the appellate authority of the issuing of the decision if the decision is issued after the filing of the appeal. Provisions on the filing and handling of an appeal are laid down in the Administrative Judicial Procedure Act (808/2019). (25/2020)

The authorisation shall indicate the investment services and investment activities as well as the ancillary services referred to in chapter 2, section 3, subsection 1 which the investment firm has the right to provide and perform. The Financial Supervisory Authority may, after the granting of the authorisation, amend the authorisation at the request of the investment firm with regard to the services referred to therein and permitted to the investment firm. (1069/2017)

After hearing the applicant for an authorisation, the Financial Supervisory Authority may impose in the authorisation restrictions and conditions relating to the business of the investment firm and necessary for its supervision.

Section 3 (1069/2017)
Conditions for granting authorisation

An authorisation shall be granted if, on the basis of the account received, it can be ascertained that the owners of the investment firm comply with the requirements provided in section 4 and that the investment firm complies with the requirements provided in chapters 6 and 6b; chapter 7, sections 1, 2, 4-9, 11-14 and 16; chapter 9, sections 1-5, 10 and 11; chapter 10 and in chapter 12, section 3, subsection 2. An investment firm which intends to operate an MTF or an OTF shall, in addition, comply with the requirements set on such operations in chapter 5, sections 1-8, 10, 15, 16 and 20-30 of the Act on Trading in Financial Instruments. An investment firm which carries out algorithmic trading or provides direct electronic access shall also comply with the requirements set on such activity in chapter 7a.

The authorisation may be granted also to an investment firm being established before its registration.

Section 4
Reliability of the major owners of an investment firm

Anyone who holds a qualifying holding in an investment firm shall be reliable. The provisions of chapter 6a, section 1, subsection 3 shall be applied to the aggregation of the holding. (1069/2017)

A person shall not be deemed reliable if they have:

1) within the last five years prior to the assessment been sentenced to imprisonment or within the last three years prior to the assessment to a fine for a crime which can be deemed to indicate that they are manifestly unsuitable to own an investment firm; or if they have

2) otherwise, through their earlier activity, indicated that they are manifestly unsuitable to own an investment firm.

If the judgment referred to in subsection 2, paragraph 1 has not become non-appealable, the sentenced person may, however, continue to exercise the decision-making power in the investment firm belonging to the owner of the investment firm if this, when assessing the sentenced person's earlier actions, the circumstances leading to the judgment and other relevant factors as a whole, can be deemed manifestly well-founded.

Section 5
Authorisation to a European company

An authorisation shall also be granted to a European company referred to in Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE), hereinafter the SE Regulation, which has been granted a corresponding authorisation in another EEA Member State and which is aiming to transfer its register office to Finland in accordance with Article 8 of the Regulation. The Financial Supervisory Authority shall request an opinion of the authority supervising the securities markets of the home State of the European company corresponding to the Financial Supervisory Authority on the application for authorisation. The same shall apply to the incorporation of a European company by merger so that the receiving company with its registered office in another state is registered as a European company in Finland.

Section 6
Registration of the authorisation

The Financial Supervisory Authority shall notify the authorisation for registration in the Trade Register as well as notify the European Securities and Markets Authority and the Compensation Fund thereof.

The authorisation granted to an investment firm to be established and a European company transferring its registered office to Finland shall be registered simultaneously with the registration of the undertaking.

Section 7
Register of investment firms

The Financial Supervisory Authority shall keep a public register of investment firms, which shall contain information on the services for which the investment firm is authorised.

Section 8
Commencement of activities and notification of changes (1069/2017)

Unless otherwise ordered in the terms of the authorisation, an investment firm may commence its activities as soon as the authorisation is granted and, if the authorisation is granted for an undertaking to be established, after the investment firm has been registered.

The investment firm shall notify the Financial Supervisory Authority of any material changes to the conditions for initial authorisation. (1069/2017)

Section 9
Withdrawal of the authorisation and restriction of activities

Provisions on the withdrawal of the authorisation and the restriction of operations are laid down in sections 26 and 27 of the Act on the Financial Supervisory Authority. The Financial Supervisory Authority shall notify the withdrawal of the authorisation to be registered as well as notify the European Securities and Markets Authority and the Compensation Fund thereof.

Chapter 4
Establishment of a branch of a foreign EEA investment firm and provision of services in Finland as well as provision of services of a foreign EEA credit institution in Finland (1069/2017)

Section 1 (1069/2017)
Starting a branch or using a tied agent

A foreign EEA investment firm and a foreign EEA credit institution may provide investment services or perform investment activity as well as provide ancillary services in Finland by establishing a branch in Finland or by using a tied agent established in Finland if the foreign EEA investment firm or the foreign EEA credit institution has not established a branch in Finland and provided that the services provided and the activity performed by the foreign EEA investment firm or the foreign EEA credit institution are covered by the authorisation granted in its home Member State. Ancillary services may only be provided together with an investment service or an investment activity.

A foreign EEA investment firm may establish a branch or start using the tied agent referred to in subsection 1 after the Financial Supervisory Authority has received a notification thereon from the EEA supervisory authority of the home Member State of the investment firm. The notification shall include the following information and accounts:

1) information on the establishment of a branch in Finland and the address and contact information of the branch, or the EEA Member State within the territory of which the foreign EEA investment firm has not established a branch but plans to use a tied agent established there in Finland;

2) the investment services to be provided or the investment activity to be performed as well as the ancillary services to be provided as set out in Annex I of the Markets in Financial Instruments Directive;

3) the organisational structure of the branch and the use of a tied agent as well as the identity of the tied agents it intends to use;

4) where one or more tied agents referred to in paragraph 1 are to be used, a description of the intended use of the tied agent or agents and an organisational structure, which includes reporting lines and indicates how the agents fit into the corporate structure of the investment firm;

5) the address in Finland from which documents may be obtained;

6) the names of the persons responsible for the activities of the branch or of the tied agent;

7) the cover system intended for the protection of the investors of the branch or its absence.

A branch may be established and it may commence its activities on a date decided by the Financial Supervisory Authority, however, at the latest within two months from receipt by the Financial Supervisory Authority of the information referred to in subsection 2. The provisions above shall correspondingly apply to the commencement of the activities of a tied agent.

The provisions of subsection 1 on the right of an EEA investment firm to provide investment services or to perform investment activity as well as to provide ancillary services in Finland through a branch or by using a tied agent established in Finland and the provisions of subsection 2 on the notification relating to the use of a tied agent shall correspondingly apply to a foreign EEA credit institution.

A foreign EEA credit institution which intends to use a tied agent referred to in subsection 4 may commence to use the tied agent after the Financial Supervisory Authority has received a notification including the information referred to in subsection 2 from the EEA supervisory authority of the home Member State of the credit institution. The use of a tied agent may commence on a date decided by the Financial Supervisory Authority, however, at the latest within two months from receipt by the Financial Supervisory Authority of the information referred to in subsection 2.

In the event of a change in the information communicated in accordance with subsections 2 and 4, the foreign EEA investment firm and the foreign EEA credit institution may implement the change after the Financial Supervisory Authority has been informed of the change by the EEA supervisory authority of the home Member State of said investment firm or credit institution.

Section 2 (1069/2017)
Provision of investment services without establishing a branch

A foreign EEA investment firm and a foreign EEA credit institution shall have the right to provide investment services or to perform investment activity as well as to provide ancillary services in Finland without establishing a subsidiary or a branch, provided that said services and investment activity are covered by its authorisation.

An undertaking referred to in subsection 1 above shall have the right to provide ancillary services only in connection with the provision of investment services or the performance of investment activity unless otherwise provided elsewhere in the law.

A foreign EEA investment firm may commence the provision of investment services or the performance of investment activity in Finland when the Financial Supervisory Authority has received from a foreign EEA supervisory authority a notification including at least the following:

1) information on the intention to operate in Finland;

2) a programme of operations including information on the investment services to be provided or the investment activity to be performed and the ancillary services to be provided as well as information on whether the undertaking intends to use tied agents established in its home Member State and the identity of any tied agents.

If a foreign EEA investment firm intends to use tied agents established in its home Member State for the provision of investment services or the performance of investment activity in Finland, it may commence the provision of services or the performance of activities after the Financial Supervisory Authority has received from the foreign EEA supervisory authority information on the identity of the tied agents that the undertaking intends to use in Finland. The Financial Supervisory Authority shall make public this information.

The provisions of subsection 4 shall be applied to a foreign EEA credit institution which intends to perform the activities referred to in subsection 1 in Finland through a tied agent established in its home Member State.

In the event of a change in the information communicated in accordance with subsections 3 and 4, the foreign EEA investment firm may implement the change after the Financial Supervisory Authority has been informed of the change by the EEA supervisory authority of the home Member State of said investment firm. The provisions above shall correspondingly apply to an EEA credit institution in the event of a change in the information communicated in accordance with subsection 5.

A foreign EEA investment firm and a foreign EEA credit institution may offer investment firms, credit institutions and other persons established in Finland a direct possibility to trade on an MTF or on an OTF after the Financial Supervisory Authority has received from the foreign EEA supervisory authority information on the commencement of activities as well as on where and how the possibility to trade is intended to be offered. The Financial Supervisory Authority shall have the right to request from said authority information on the investment firms, credit institutions and other persons whom the foreign EEA investment firm or the foreign EEA credit institution has granted the rights of a trading party on an MTF.

Section 3
Restriction and prohibition of the activities of a branch and cross-border provision of investment services

If, despite the measures implemented by the foreign EEA supervisory authority, a foreign EEA investment firm continues its activities in violation of the provisions or regulations in Finland, the Financial Supervisory Authority shall undertake the measures necessary to prevent the continuation of such activities that endanger the protection of investors or the reliable operations of the markets. If necessary, the Financial Supervisory Authority may prevent the commencement of new business activities.

The right of the Financial Supervisory Authority to prohibit the continuance of the activity of a branch and the provision of investment services in full or in part shall also be governed by section 61 of the Act on the Financial Supervisory Authority.

Chapter 5 (1069/2017)
Establishment of a third-country investment firm and provision of services in Finland

Section 1 (1069/2017)
Preconditions for the establishment of a branch

A third-country firm that intends to provide investment services or to perform investment activity as well as to provide ancillary services to clients referred to in chapter 1, section 23, subsections 2 and 3 in Finland, shall establish a branch in Finland and apply for an authorisation to the branch from the Financial Supervisory Authority. (294/2019)

The preconditions for the granting of an authorisation to a branch shall be that:

1) the provision of services or the performance of investment activities for which the third-country firm applies an authorisation shall be subject to an authorisation and supervision in the third country where the firm is established;

2) the third-country firm is authorised in the third country to provide the services and to perform the activities referred to in paragraph 1, whereby the competent authority pays due regard to any recommendations by the Financial Action Task Force (FAFT) in the context of anti-money laundering and countering the financing of terrorism;

3) cooperation arrangements, including provisions regulating the exchange of information between authorities for the purpose of preserving the integrity of the market and protecting investors, are in place between the Financial Supervisory Authority and the competent authorities in the third country;

4) the third country and Finland have signed an agreement, that fully complies with the standards laid down in Article 26 of the OECD (Organisation for Economic Cooperation and Development) Model Tax Convention on Income and on Capital and ensures an effective exchange of information in tax matters, including multilateral tax agreements, if any;

5) sufficient initial capital is at the free disposal of the branch;

6) one or more natural persons are appointed to the management of the branch and they all comply with the requirements provided in chapter 7 of the Act on Credit Institutions, referred to in chapter 6b, section 1, and provided in chapter 6b, section 4 relating to the reliability and repute of the management;

7) the third-country firm belongs to a scheme corresponding to the investor-compensation scheme laid down in Directive 97/9/EC of the European Parliament and of the Council on investor-compensation schemes, or the branch subject to the application for authorisation belongs to the investor-compensation fund referred to in chapter 11.

Section 2 (1069/2017)
Information to be given in the application for authorisation of a branch

The application for authorisation of a branch shall be appended with the following information and accounts:

1) all relevant details of the third-country firm, such as the name, legal form, registered office, address information, members of the management body, relevant shareholders and an account of the authorisation granted to it;

2) the name of the authority responsible for the supervision of the third-country firm in the third country and, in case there are several, the details of the respective areas of competence of the authorities;

3) a programme of operations indicating the investment services to be provided or the investment activity to be performed as well as the ancillary services to be provided, the organisational structure of the branch and a description of any outsourcing of essential functions to third parties;

4) the names of the persons responsible for the management of the branch and information on how these persons meet the requirements referred to in section 1, subsection 2, paragraph 6;

5) information about the initial capital at the free disposal of the branch;

6) an account of the cover provided by the investor-compensation scheme of the third country or of its application for membership in the investor compensation fund for the branch.

A statement of the investor-compensation fund shall be requested on the application for authorisation.

Further provisions on the contact information and on the accounts to be appended to the application may be given by decree of the Ministry of Finance.

Section 3 (1069/2017)
Granting of an authorisation of a branch

The Financial Supervisory Authority shall grant an authorisation to a branch of a third-country firm if the preconditions for the granting of the authorisation provided in chapter 1, section 7, subsection 1 and section 13, subsection 1, paragraphs 2, 9 and 10 as well as in section 1 of this chapter are met.

When granting the authorisation of a branch, it shall be assessed whether the investor-compensation scheme of the home State of the firm corresponds to the level and scope of the protection offered by the compensation fund. When granting the authorisation, the Financial Supervisory Authority may decide on the membership of the branch in the compensation fund.

The decision on the authorisation of a branch shall be governed by the provisions of chapter 3, section 2 on the decision on the authorisation of an investment firm. The Financial Supervisory Authority shall, within 10 working days from receipt of the application for an authorisation, notify the applicant of the deadlines and the possibility to appeal laid down in chapter 3, section 2, subsection 1.

The authorisation of a branch entitles to carry out the activity in one or several places of business.

Section 4 (294/2017)
Derogation from the requirement of a branch's authorisation

If a third-country firm provides investment services in Finland or performs investment activities in a certain financial instrument to a client at its own exclusive initiative, the requirement for authorisation of a branch provided in section 1, subsection 1, and authorisation by the Financial Supervisory Authority provided in section 7, subsection 2, shall not apply to the provision of said service or the performance of investment activity to said client or to the relationship specifically relating to the provision of said service or the performance of said activity. A third-country firm may not market otherwise than through the branch or with an authorisation by the Financial Supervisory Authority other new categories of investment products or investment services to said client.

Section 5 (1069/2017)
Withdrawal of the authorisation and restriction of activity of a branch

The withdrawal of an authorisation and the restriction of activities under an authorisation of a branch of a third-country firm shall be provided in sections 26 and 27 of the Act on the Financial Supervisory Authority. The Financial Supervisory Authority shall also, without delay, withdraw the authorisation of a branch if the supervisory authority of the third country has withdrawn the authorisation of the third-country firm.

Section 6 (1069/2017)
Termination of activity of a branch

When the Financial Supervisory Authority withdraws the authorisation of a branch of a third-country firm, the activity of the branch shall be terminated without delay. The provisions elsewhere in the law on the supervision of a branch shall be applied to the supervision of a branch upon the termination of its activity until the notification referred to in subsection 2 has been filed and the obligations of the firm to the clients of the branch have been performed.

The third-country firm shall, at the earliest opportunity after the termination of the activities of its branch, inform the clients of the branch of the manner in which the obligations of the branch to

the clients shall be performed. The Financial Supervisory Authority shall, where necessary, issue further regulations on the procedure referred to in this subsection.

The provisions of subsection 1 on the supervision of a branch and on the duty to notify of the third-country firm in subsection 2 as well as on the competence of the Financial Supervisory Authority to issue further regulations in subsection 2 shall also be applied in restricting the activities of a branch in the manner provided for in section 5 or in section 27 of the Act on the Financial Supervisory Authority.

S**ection 7 (294/2019)**
Provision of services by a third-country firm without establishing a branch

Article 46 of the EU Markets in Financial Instruments Regulation provides for the right of a third-country firm to provide investment services or to perform investment activities with or without ancillary services to eligible counterparties and to professional clients referred to in Annex II, Part I of the Markets in Financial Instruments Directive established in the Union without establishing a branch if the firm is registered in the register of third-country firms kept by ESMA and referred to in Article 48 and for the equivalence decision adopted by the Commission, which is a condition for registration, and the other conditions for registration.

If the Commission has not adopted an equivalence decision referred to in article 47, paragraph 1 of the markets in financial instruments directive or if its decision is no longer valid, a third-country firm may, with an authorisation by the Financial Supervisory Authority and without establishing a branch, provide investment services or perform investment activities as well as provide ancillary services to eligible counterparties and professional customers, referred to in annex II, part 1 of the markets in financial instruments directive, in Finland.

The Financial Supervisory Authority shall grant the authorisation to a third-country firm referred to in subsection 2 above, if the authorisation requirements provided in chapter 1, section 7, subsection 3 and section 1, subsection 2, paragraphs 1–4 of this chapter as well as in section 2, subsection 1, paragraphs 1–3 of this chapter regarding the programme of operations are met. The operation of a third-country firm may not essentially differ from the operation permitted by this Act to an investment firm or foreign EEA investment firm, and its regulation and supervision shall substantially correspond to the regulation and supervision based on the provisions of the Act.

Decision on authorisation shall be governed by the provisions of chapter 3, section 2. Withdrawal of authorisation, restriction of activities and termination of activity shall be governed by the provisions of sections 5 and 6 of this chapter.

In order to continue its activity, a foreign EEA investment firm or a foreign EEA credit institution which provides investment services or engages in investment activity and provides ancillary services in Finland as referred to in chapter 4, section 2 in this Act and whose home State has given notice of its intention to withdraw from the European Union in accordance with Article 50 of the Treaty of European Union shall apply for authorisation referred to in subsection 2 above no later than on the day when its withdrawal from the European Union enters into force. A firm which has applied for authorisation within the time limit may continue providing investment services and ancillary services and engaging in investment activity to eligible counterparties and professional clients as referred to in annex II, part 1 of the markets in financial instruments directive in the scope referred to in the notification in accordance with chapter 4, section 2, until the Financial Supervisory Authorisation has processed the application. The period laid down in chapter 3, section 2 of this chapter for the processing of the authorisation begins when the Member State's withdrawal from the European Union enters into force.

Article 47, paragraph 3 of the Regulation referred to in subsection 1 above provides for the right of a third-country firm established in a country whose legal and supervisory framework has been recognised to be effectively equivalent in accordance with subsection 1 and which has been granted the authorisation of a branch in a Member State in accordance with Article 39 of the Markets in Financial Instruments Directive to be able to provide the services and functions covered by its authorisation to eligible counterparties and professional clients referred to in subsection 1 in other Member States of the Union without establishing a branch.

PART II
OPERATING CONDITIONS, CORPORATE GOVERNANCE AND ORGANISATION (1069/2017)

Chapter 6
Financial operating conditions of the provision of investment services and supervision of financial soundness

Section 1 (523/2021)
Initial capital

The initial capital of an investment firm which deals on its own account or carries out underwriting or which provides the arrangement of organised trading and deals on its own account or holds authorisation to do so shall be at least EUR 750,000.

The initial capital of an investment firm which is not authorised to hold client funds and which engages in transmission of orders, execution of orders, asset management, investment advice or emission arrangement shall be at least EUR 75,000.

The initial capital of an investment firm other than one referred to in subsections 1 and 2 shall be at least EUR 150,000.

The initial capital of an investment firm shall consist of one or more capital items on which provisions are laid down in Article 9 of the EU Investment Firms Regulation. The share capital included in the initial capital referred to above in subsections 1–3 shall be subscribed for in full when the authorisation is granted and the initial capital shall meet the requirements under Article 9 of the EU Investment Firms Regulation. (365/2023)

Section 2 was repealed by Act 523/2021.

Section 2a (523/2021)
Assessment of adequacy of internal capital and liquidity

Further provisions on the minimum capital requirements of investment firms are laid down in the EU Investment Firms Regulation. An investment firm which does not meet the conditions for qualifying as a small and non-interconnected investment firm set out in Article 12, paragraph 1 of the EU Investment Firms Regulation shall have in place sound, effective and comprehensive arrangements, strategies and processes to assess, monitor and maintain the amounts, types and distribution of internal capital and liquid assets that it considers adequate to cover the nature and level of risks which it may pose to others and to which the investment firm itself is or might be exposed.

The investment firm shall regularly review the arrangements, strategies and processes referred to in subsection 1 so that they remain appropriate and proportionate to the nature, scale and complexity of the activities of the investment firm.

The Financial Supervisory Authority may require application of the requirements laid down in this section also to a small investment firm referred to in subsection 1 to the extent that the Financial Supervisory Authority deems it to be appropriate.

When the parent company of the investment firm is an investment holding company or a mixed financial holding company, it shall be included in the supervision of the group's capital requirement.

Section 2b (523/2021)
Application of the requirements of the EU Capital Requirements Regulation to certain investment firms

When an investment meets the conditions set out in Article 1, paragraph 2 or 5 of the EU Investment Firms Regulation, the requirements of the EU Capital Requirements Regulation and the Act on Credit Institutions shall apply, as laid down in subsection 4, instead of the requirements laid down in chapter 6b; sections 1a, 1 b, 2a, 2b, 2c and 7–13 and chapter 6c of this Act.

The Financial Supervisory Authority may decide that the requirements of the EU Capital Requirements Regulation apply to an investment firm that carries out the activities referred to in chapter 1, section 15, subsection 3 or 6 and the total value of the consolidated assets of which is equal to at least EUR 5 billion, calculated as an average of twelve consecutive months, if:

1) the investment firm carries out the abovementioned activities on such a scale that the failure or the distress of the investment firm could lead to systemic risk;

2) the investment firm is a clearing member referred to in chapter 7a, section 4; or

3) the Financial Supervisory Authority considers it to be justified in light of the size, nature, scale and complexity of the activities of the investment firm concerned and having regard to:

a) the importance of the investment firm for the economy of the European Union or Finland;

b) the significance of the investment firm's cross-border activities; and

c) the interconnectedness of the investment firm with the financial system.

The provisions laid down in subsection 2 shall not apply to commodity and emission allowance dealers, collective investment undertakings as referred to in the UCITS Directive or the Directive on Alternative Investment Fund Managers, or insurance undertakings that engage in the activities referred to in Directive (EU) 2016/97 of the European Parliament and of the Council on insurance distribution.

The provisions laid down in chapter 1; chapter 5, sections 14 and 15; chapters 7, 8, 9, 10, 11 and 20–22 of the Act on Credit Institutions and in the Act on the Financial Supervisory Authority apply to the investment firms referred to above in subsections 1 and 2.

The Financial Supervisory Authority shall inform an investment firm without delay of its decision to revoke a decision taken by it in accordance with subsection 2. A decision taken by the Financial Supervisory Authority under subsection 2 also ceases to apply if the investment firm no longer meets the threshold value referred to in the said subsection calculated over twelve consecutive months.

The Financial Supervisory Authority shall inform the European Banking Authority without delay of any decisions taken under subsections 2 and 5.

Section 2c (523/2021)
Application of the chapters on the recovery plans of and financial assistance to credit institutions to certain investment firms

Chapters 8a and 9a of the Act on Credit Institutions additionally apply to an investment firm which engages in the investment service referred to in chapter 1, section 15, paragraph 3 or 6.

Section 3 (155/2022)
Derogations concerning investment firms from the application of the Limited Liability Companies Act

Capital corresponding to the shares and participations recorded in the reserve for invested unrestricted equity referred to in chapter 8, section 2 of the Limited Liability Companies Act (624/2006) that has been included in the investment firm's core capital may not be refunded nor used for the distribution of profits without the prior permission of the Financial Supervisory Authority.

The provisions laid down in chapter 13, section 7 of the Limited Liability Companies Act concerning minority dividend and in chapter 16, section 13 as well as in chapter 17, section 13 of the same Act concerning redemption of shares shall not apply to an investment firm.

Section 4 was repealed by Act 523/2021.

Chapter 6a (1069/2017)
Acquisition and disposal of a qualifying holding

Section 1 (1069/2017)
Duty to notify regarding the acquisition and disposal of a qualifying holding

Anyone who intends to acquire, directly or indirectly, a qualifying holding in an investment firm shall notify the Financial Supervisory Authority thereof in advance.

If the holding referred to in subsection 1 is intended to be increased to 20, 30 or 50 per cent of the capital of the investment firm or if the holding would correspond to a proportion of voting rights of the same size carried by all the shares or if the investment firm would become a subsidiary, this acquisition shall also be notified to the Financial Supervisory Authority in advance.

In calculating the proportion of the holding and voting rights referred to in subsections 1 and 2, the provisions of chapter 2, section 4 and chapter 9, sections 6, 7, 8 and 8a of the Securities Markets Act shall be applied. In applying this subsection, shares shall not be taken into account which the party liable to notify has acquired, for a period not exceeding one year, in connection with a share issue organised by the party or under a market guarantee and on the basis of which the party liable to notify shall not be entitled to exercise the voting rights in the organisation or otherwise influence the operations of the management of the organisation.

The notification referred to in subsection 1 or 2 above shall also be filed if the proportion of shares held falls below any of the thresholds provided in subsection 1 or 2 or if the investment firm ceases to be a subsidiary of the party liable to notify.

The investment firm and its holding company shall notify the Financial Supervisory Authority of the owners of holdings referred to in subsections 1 and 2 and the sizes of the holdings at least once a year and, without delay, communicate any changes in the holdings that have come to their notice.

Section 2 (1069/2017)
Restriction relating to the acquisition of a qualifying holding

The right of the Financial Supervisory Authority to forbid the acquisition of a holding referred to in section 1 shall be governed by the provisions of section 32a of the Act on the Financial Supervisory Authority and the procedure relating to the issuing of an injunction by the provisions of section 32b of said Act.

Prior to the termination of the period set in section 32b of the Act on the Financial Supervisory Authority, the party liable to notify may acquire the shares referred to in section 1 only if the Financial Supervisory Authority has consented thereto.

Chapter 6b (1069/2017)
Corporate governance, transparency, risk management and remuneration (523/2021)

Section 1 was repealed by Act 523/2021.

Section 1a (523/2021)
Internal governance arrangements of an investment firm

An investment firm shall have appropriate and robust governance arrangements proportionate to the nature, scale and complexity of the risks inherent in its business model and activities. These include:

1) a clear organisational structure with well-defined, transparent and consistent lines of responsibility;

2) effective risk management reporting procedures;

3) adequate internal control, administration and accounting processes;

4) remuneration policies and practices that are consistent with and promote sound and effective risk management.

The remuneration policies and practices shall be gender neutral.

Section 1b (523/2021)
Application of governance arrangements to small and non-interconnected investment firms

The provisions laid down in sections 1a and 2a; section 2b, subsection 1, paragraph 2; section 2b, subsections 2–8; and sections 7–11 as well as in chapter 6c, section 1, do not apply to an investment firm that meets the conditions for qualifying as a small and non-interconnected investment firm set out in Article 12, paragraph 1 of the EU Investment Firms Regulation.

If an investment firm that does not meet the conditions set out in Article 12, paragraph 1 of the EU Investment Firms Regulation subsequently meets those conditions, the provisions mentioned in subsection 1 shall cease to apply to the investment firm after a period of six months from the date on which those conditions are met. Cessation is subject to the requirements that the investment firm has notified the Financial Supervisory Authority accordingly and that the conditions are met for the entire period of six months without interruption.

Correspondingly, an investment firm shall notify the Financial Supervisory Authority if it determines that it no longer meets all of the conditions set out in Article 12, paragraph 1 of the EU Investment Firms Regulation and it shall comply with the provisions enumerated in subsection 1 within 12 months of the date on which that assessment took place.

However, an investment firm shall apply the provisions of section 9 to remuneration awarded for services provided or performance in the financial year following the financial year in which it was determined, in accordance with the provisions of subsection 3, that the conditions were no longer met.

If the group capital test under Article 8 or the prudential consolidation under Article 7 of the EU Investment Firms Regulation applies to the investment firm, the investment firm shall nonetheless meet the conditions of the provisions enumerated in subsection 1 independently and, when applying Article 7, also in a consolidated situation.

Section 2 (1069/2017)
Duties of the Board of Directors of an investment firm

The board of directors of an investment firm shall define and be accountable for the implementation of the corporate governance arrangements that ensure effective and prudent management of the investment firm in a manner that promotes the interests of clients and the integrity of the market.

In addition to the provisions of section 1a on governance arrangements, the board of directors of an investment firm shall define and approve: (523/2021)

1) the organisation needed for the provision of investment services and ancillary services and the performance of investment activity, including the skills and knowledge and experience, the resources and procedures needed for the provision of services and the performance of investment activity taking into account the nature, scale and complexity of the business of the investment firm as well as the provisions and regulations to be complied with;

2) the policy to be applied to the services, products and activities offered or provided taking into account the risk tolerance of the investment firm, the quality and needs of the clients as well as the stress testing of clients, where appropriate;

3) a remuneration policy of persons involved in the provision of services so that the policy encourages responsible business conduct, fair treatment of clients and avoidance of conflicts of interests in the relationships with clients.

The board of directors shall, on the regular bases, assess the adequacy of and compliance with the strategic objectives relating to the provision of investment services and ancillary services and the performance of investment activities, the effectiveness of the corporate governance arrangements and the policies applied in the provision of services to clients as well as take the necessary steps to address any deficiencies.

The members of the board of directors shall have adequate access to information and documents that they need to fulfil their duties.

Section 2a (523/2021)
Role of the board of directors in risk management

The board of directors of the investment firm shall approve and periodically review the strategies and policies on the risk appetite of the investment firm, and on managing, monitoring and mitigating the risks the investment firm is or may be exposed to, taking into account the macroeconomic environment and the business cycle of the investment firm.

The members of the board of directors shall devote sufficient time to ensure that the matters referred to in subsection 1 are given proper consideration and that the board of directors allocates adequate resources to the management of all material risks to which the investment firm is exposed.

Reporting lines to the board of directors shall be established for all material risks and for all risk management policies and any changes thereto to be reported to the board of directors.

An investment firm which does not meet the requirements laid down in section 10, subsection 8, paragraph 1 shall establish a risk committee of the board of directors. The risk committee shall be composed of members of management who do not perform any executive function in the investment firm concerned.

The members of the risk committee shall have appropriate knowledge, skills and expertise to fully understand, manage and monitor the risk strategy and the risk appetite of the investment firm. They shall ensure that the risk committee advises the board of directors on the investment firm’s overall current and future risk appetite and strategy and assists the board of directors in overseeing the implementation of that strategy by senior management. The board of directors shall retain overall responsibility for the investment firm's risk strategies and policies.

The board of directors and its risk committee, where one has been established, shall ensure that they have access to information on the risks to which the investment firm is or may be exposed.

Section 2b (523/2021)
Risk management

An investment firm shall have in place robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of the following risk factors and their effects:

1) material sources and effects of risk to clients and any material impact on own funds;

2) material sources and effects of risk to market and any material impact on own funds;

3) material sources and effects of risk to the investment firm, in particular those which can deplete the level of own funds available;

4) liquidity risk over an appropriate set of time horizons, including intra-day, so as to ensure that the investment firm maintains adequate levels of liquid resources, including in respect of addressing material sources of risks under paragraphs 1–3.

The strategies, policies, processes and systems shall be proportionate to the complexity, risk profile, and scope of operation of the investment firm and risk tolerance set by management, and they shall reflect the investment firm's importance in each Member State in which it carries out business.

For the purposes of subsection 1, paragraph 1 and subsection 2 above, the provisions of chapter 9 governing segregation applicable to client money shall be taken into account.

For the purposes of subsection 1, paragraph 1 above, investment firms shall consider holding professional indemnity insurance as an effective tool in their management of risks.

For the purposes of subsection 1, paragraph 3 above, material sources of risk to the investment firm itself shall include, if relevant, material changes in the book value of assets, including any claims on tied agents, the failure of clients or counterparties, positions in financial instruments, foreign currencies and commodities, and obligations to defined benefit pension schemes.

Investment firms shall give due consideration to any material impact on own funds where such risks are not appropriately captured by the own funds requirements calculated under Article 11 of the Investment Firms Regulation.

Where an investment firm needs to wind down or cease its activities, it shall, by taking into account the viability and sustainability of its business models and strategies, give due consideration to requirements and necessary resources which are realistic, in terms of timescale and maintenance of own funds and liquid resources, throughout the process of exiting the market.

The Financial Supervisory Authority may issue further regulations on the management of the risks referred to in subsection 1.

Section 2c (523/2021)
Supervision of the internal transactions of an investment firm and a mixed-activity holding company

An investment firm shall have in place adequate risk management processes and internal control mechanisms to identify, measure, monitor and control transactions between the investment firm and the mixed-activity holding company acting as its parent company as well as transactions between the investment firm and the subsidiaries of the parent company.

The Financial Supervisory Authority may issue regulations on notifying transactions referred to in subsection 1 to the Financial Supervisory Authority.

Section 3 (523/2021)
Minimum number of persons who effectively direct the business of an investment firm

At least two persons who meet the requirements provided in sections 1a, 1b and 4 shall direct the business of the investment firm.

Section 4 (1069/2017)
Fitness test of the management of an investment firm

A member of the management of an investment firm shall be a reliable person of good repute who is not bankrupt or subject to a ban on business operations and whose capacity has not been otherwise restricted.

A person shall not be considered reliable and reputable, if (s)he has:

1) been sentenced to imprisonment in the five years preceding the evaluation or imposed a fine in the three years preceding the evaluation, which can be considered to indicate that (s)he is manifestly unsuitable for the task referred to in subsection 1; or

2) otherwise through earlier actions indicated to be manifestly unsuitable for the task referred to in subsection 1.

The time limit referred to in subsection 2, paragraph 1 above shall be calculated from the issue of a final judgement to the time of acceptance of the task. If the sentence has not become legally valid, the sentenced person can, however, continue to exercise control which belongs to a member of the credit institutions' management, provided that it can be considered clearly justified as a whole taking into account his/her earlier activity, the circumstances leading to the conviction and other relevant factors influencing the matter.

A member of the management of an investment firm shall have such skills in and experience of the business of the investment firm, the main risks related thereto and the management as is necessary for the task as well as the nature, scale and complexity of the business of the firm.

The investment firm shall, without delay, notify the Financial Supervisory Authority of any changes in the management referred to in subsection 1.

The provisions of this section on an investment firm shall correspondingly apply to a holding company.

Section 5 (513/2019)
Principles of ownership steering for managers

A provider of investment services, which provides asset management (asset manager) referred to in chapter 1, section 15, paragraph 4, by investing client assets referred to in chapter 9, section 1, in a share of a firm which is an object of trading in a regulated market, shall have to establish principles of ownership steering.

The principles of ownership steering shall describe how ownership steering is related to the investment strategy of the asset manager. The principles shall describe the procedures for monitoring the operation of a firm referred to in subsection 1 in matters significant to the asset manager's investment strategy and in order to exercise voting rights or other rights related to the shares. Furthermore, the principles shall describe how the asset manager holds a dialogue with a firm referred to in subsection 1, its other shareholders and stakeholders.

The asset manager shall publish the principles and an annual report of their implementation on its website without charge. The asset manager shall publish a report of its voting behaviour or at least of the most significant voting events and the use of any proxy advisers referred to in the Securities Market Act.

If the asset manager fails to establish the principles referred to in subsections 1 and 2 in full or in part or to publish them or a report related to them as referred to in subsection 3, it shall provide a report of the reasons for this deviance.

The provisions of chapter 7, section 9, on the management of conflict of interests in an investment firm shall apply to an asset manager when it exercises its voting right in a firm referred to in subsection 1.

Section 6 (513/2019)
Reporting obligation of an asset manager

For the purposes of this section, an institutional investor means an insurance company engaged in life assurance business referred to in the Act on Insurance Companies; a supplementary pension foundation, supplementary pension fund, EEA supplementary pension foundation and EEA

supplementary pension fund referred to in the Act on Supplementary Pension Foundations and Supplementary Pension Funds; and a corresponding institutional investor operating in the European Economic Area to which an asset manager provides services referred to in section 5, subsection 1. (966/2021)

If an asset manager provides asset management to an institutional investor, it shall provide an annual report to the institutional investor about its compliance with the asset management agreement made with the institutional investor and advancement of reaching the profit target of the institutional investor. No report is necessary if the asset manager publishes this information on its website.

The information referred to in subsection 2 above are:

1) essential risks related to existing investments;

2) portfolio structure, investment turnover rate and costs related to investment turnover rate;

3) use of a proxy adviser in advocacy work directed at a firm as an investment object, securities lending related to advocacy work and use of securities lending in shareholders' meeting influencing;

4) ground for investment decisions and decision-making procedures; and

5) any conflicts of interests and their management.

The asset manager may report the information referred to in subsection 2 and 3 as part of the information referred to in chapter 10, section 7.

Section 7 (523/2021)
Remuneration policies and principles to be complied with

When establishing and applying their remuneration policies for categories of staff, investment firms shall comply with the principles enumerated in this section. The board of directors of the investment firm shall adopt and periodically review the remuneration policy and have overall

responsibility for overseeing its implementation. The remuneration policy shall be subject to a central and independent internal review by control functions at least annually.

The categories of staff referred to in this section are senior management, risk takers, staff engaged in control functions and any employees receiving overall remuneration equal to at least the lowest remuneration received by senior management or risk takers, whose professional activities have a material impact on the risk profile of the investment firm or on the assets that it manages. The remuneration policy shall be:

1) clearly documented and proportionate to the size, internal organisation and nature, as well as to the scope and complexity of the activities of the investment firm;

2) gender-neutral;

3) consistent with and promote sound and effective risk management;

4) in line with the business strategy and objectives of the investment firm, and also take into account long term effects of the investment decisions taken.

The remuneration policy shall contain measures to avoid conflicts of interest, encourage responsible business conduct and promote risk awareness and prudent risk taking. Staff engaged in control functions shall be independent from the business units they oversee, have appropriate authority, and be remunerated in accordance with the achievement of the objectives linked to their functions, regardless of the performance of the business areas they control.

The remuneration of senior officers in the risk management and compliance functions shall be directly overseen by the remuneration committee or, where such a committee has not been established, by the board of directors. The remuneration policy, taking into account national rules on wage setting, shall make a clear distinction between the criteria applied to determine the following:

1) basic fixed remuneration, which primarily reflects relevant professional experience and organisational responsibility as set out in an employee’s job description as part of the terms of employment;

2) variable remuneration, which reflects a sustainable and risk adjusted performance of the employee, as well as performance in excess of the employee's job description.

The fixed component shall represent a sufficiently high proportion of the total remuneration so as to enable the operation of a fully flexible policy on variable remuneration components, including the possibility of paying no variable remuneration component. The investment firm shall set the appropriate ratios between the variable and the fixed component of the total remuneration in its remuneration policies, taking into account the business activities of the investment firm and associated risks, as well as the impact that different categories of staff referred to in subsection 2 have on the risk profile of the investment firm.

In establishing its remuneration policy, the investment firm shall ensure that the principles referred to in this section are applied in a manner that is appropriate to its size and internal organisation and to the nature, scope and complexity of its activities.

Section 8 (523/2021)
Remuneration in investment firms that benefit from extraordinary public financial support

Where an investment firm benefits from extraordinary public financial support as defined in chapter 1, section 3, subsection 1, paragraph 24 of the Act on the Resolution of Credit Institutions and Investment Firms (1194/2014), it may not pay any variable remuneration to members of management. Where variable remuneration paid to staff other than members of management would be inconsistent with the maintenance of a sound capital base of the investment firm and the timely repayment of extraordinary public financial support, variable remuneration shall be limited to a portion of net revenue. The maximum portion shall be decided by the Ministry of Finance, at the proposal of the board of directors of the investment firm, for one financial period at a time on the basis of the investment firm's adopted financial statements.

Section 9 (523/2021)
Variable remuneration

When paying variable remuneration to persons referred to in section 7, subsection 2, the investment firm shall meet the following requirements under the same conditions as those laid down in section 7, subsection 6:

1) where variable remuneration is performance related, the total amount of variable remuneration shall be based on a combination of the assessment of the performance of the individual, of the business unit concerned and of the overall results of the investment firm;

2) when assessing the performance of the individual, both financial and non-financial criteria shall be taken into account;

3) the assessment of the performance referred to in paragraph 1 shall be based on a multi-year period, taking into account the business cycle of the investment firm and its business risks;

4) the variable remuneration shall not affect the investment firm's ability to ensure a sound capital base;

5) variable remuneration may not be guaranteed other than for new staff only for the first year of employment of new staff and where the investment firm has a strong capital base;

6) payments relating to the early termination of an employment contract reflect performance achieved over time by the individual and shall not reward failure or misconduct;

7) remuneration packages relating to compensation or buy out from contracts in previous employment are aligned with the long-term interests of the investment firm;

8) the measurement of performance used as a basis to calculate pools of variable remuneration takes into account all types of current and future risks and the cost of the capital and liquidity required in accordance with the EU Investment Firms Regulation;

9) the allocation of the variable remuneration components within the investment firm takes into account all types of current and future risks;

10) discretionary pension benefits shall be in line with the business strategy, objectives, values and long-term interests of the investment firm.

Section 10 (523/2021)
Payment of variable remuneration by means other than cash payment and deferral of payment

At least half of the defined variable remuneration shall be paid as other than a cash payment. The payment may consist of the following instruments:

1) shares or equivalent ownership interests, subject to the legal structure of the investment firm concerned;

2) share-linked instruments or equivalent non-cash instruments, subject to the legal structure of the investment firm concerned;

3) Additional Tier 1 instruments or Tier 2 instruments or other instruments which can be fully converted to Common Equity Tier 1 instruments or written down and that adequately reflect the credit quality of the investment firm as a going concern;

4) non-cash instruments which reflect the instruments of the portfolios managed.

Where an investment firm does not issue any of the instruments referred to in subsection 1, the Financial Supervisory Authority may approve the use of alternative arrangements fulfilling the same objectives.

At least 40% of the variable remuneration shall be deferred over a three- to five-year period as appropriate, depending on the business cycle of the investment firm, the nature of its business, its risks and the activities of the individual in question, except in the case of variable remuneration of a particularly high amount where the proportion of the variable remuneration deferred is at least 60%. The deferral of the variable remuneration shall vest no faster than on a pro-rata basis.

The variable remuneration may be contracted in part or in full where the financial performance of the investment firm is subdued or negative, including through malus. Paid variable remuneration may be clawed back subject to criteria set by the investment firm which in particular cover situations where the individual in question:

1) participated in or was responsible for conduct which resulted in significant losses for the investment firm;

2) is no longer considered fit and proper.

For the purposes of section 9, investment firms shall ensure that:

1) the persons referred to in section 7, subsection 2 do not use personal hedging strategies or remuneration and liability-related insurances to undermine the principles referred to in section 9;

2) variable remuneration is not paid through financial vehicles or methods that facilitate non-compliance with obligations arising from legislation or the EU Investment Firms Regulation.

For the purposes of subsection 1, the instruments referred to therein shall be subject to an appropriate retention policy designed to align the incentives of the individual with the longer-term interests of the investment firm, its creditors and clients. Where necessary, the Financial Supervisory Authority may place restrictions on the types and designs of those instruments or prohibit the use of certain instruments for variable remuneration.

For the purposes of section 9, paragraph 10, where an employee leaves the investment firm before retirement age, discretionary pension benefits shall be held by the investment firm for a period of five years in the form of instruments referred to in subsection 1. Where an employee reaches retirement age and retires, discretionary pension benefits shall be paid to the employee in the form of instruments referred to in subsection 1, subject to a five-year retention period.

However, subsections 1, 3 and 7 above shall not apply to:

1) an investment firm, where the value of its on and off-balance sheet assets is on average equal to or less than EUR 100 million over the four-year period immediately preceding the given financial period;

2) an individual whose annual variable remuneration does not exceed EUR 50,000 and does not represent more than one fourth of that individual's total annual remuneration.

Section 11 (523/2021)
Remuneration Committee

An investment firm which does not meet the criteria laid down in section 10, subsection 8, paragraph 1 shall establish a remuneration committee of the board of directors. That remuneration committee shall be gender balanced and shall exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity. Where the investment firm is a part of a consolidation group, only its parent company must have a remuneration committee.

The remuneration committee is responsible for the preparation of decisions regarding remuneration, including decisions which have implications for the risks and risk management of the investment firm concerned and which are to be taken by management. The Chair and the members of the remuneration committee shall be members of management who do not perform any executive function in the investment firm concerned. If personnel representatives referred to in chapter 5 the Co-operation Act (1333/2021) serve as Board members, at least one of them shall be appointed as a member of the Remuneration Committee. (1364/2021)

When preparing the decisions referred to in subsection 2 above, the remuneration committee shall take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in the investment firm.

Section 12 (523/2021)
Country-by-country reporting

An investment firm that has a branch or subsidiary that is a financial institution as defined in Article 4, paragraph 1, point 26 of the EU Capital Requirements Regulation in other than its home Member State shall disclose the following information on an annual basis:

1) the name, nature of activities and location of any subsidiaries and branches;

2) turnover;

3) the number of employees on a full time equivalent basis;

4) profit or loss before tax;

5) tax on profit or loss;

6) the public subsidies received.

The information referred to in subsection 1 above shall be audited in accordance with the Audit Directive and, where possible, shall be annexed to the annual financial statements or, where applicable, to the consolidated financial statements of that investment firm.

Section 13 (523/2021)
Reporting of breaches

An investment firm shall have in place procedures that its employees can use to report suspected infringements of provisions concerning the financial markets internally through an independent channel. The reporting procedure shall contain appropriate and adequate measures to organise the appropriate processing of reports and protect the reporting person and safeguard the personal data protection of the reporting person and the reported person. The Act on the Protection of Persons Who Report Breaches of Union Law and National Law (1171/2022) also applies to whistleblower protection. The reporting procedure shall also include instructions for protecting the

identity of the reporting person unless otherwise provided by law in order to investigate an infringement or in provisions on an authority's right to access information. (1176/2022)

An investment firm shall retain the necessary information concerning a report 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, pending judicial proceedings or investigations by the authorities or to safeguard the rights of the reporting or the reported person. The necessity of the further retention of the information shall be examined no later than after three years have elapsed since the previous review. An entry shall be made of a review.

A data subject that is a reported person as referred to above in subsection 1 shall not have the right of access under Article 15 of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, hereinafter the General Data Protection Regulation, to any information referred to in subsections 1 and 2 when such access could impede the investigation of the suspected infringements.

The Financial Supervisory Authority may issue further regulations on the submission and processing of the reports referred to in subsection 1 in an investment firm.

Chapter 6c (523/2021)
Supervision of financial position and the supervisory review and evaluation process

Section 1 (523/2021)
Oversight of remuneration policies

The Financial Supervisory Authority shall collect the information disclosed in accordance with Article 51, subparagraph 1, points c and d of the EU Investment Firms Regulation as well as the information provided by investment firms on the gender pay gap and use that information to benchmark remuneration trends and practices. The Financial Supervisory Authority shall provide the collected information to the European Banking Authority.

An investment firm shall provide the Financial Supervisory Authority with information on the number of natural persons at the investment firm that are remunerated EUR 1 million or more per financial year, including information on their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. The information shall be provided in pay brackets of EUR 1 million.

An investment firm shall provide the Financial Supervisory Authority, upon demand, with the total remuneration figures for each member of management or senior management.

The Financial Supervisory Authority shall forward the information referred to in subsections 1 and 2 to the European Banking Authority, which shall publish it on an aggregate home Member State basis in a common reporting format. The European Banking Authority, in consultation with the European Securities and Markets Authority, may issue guidelines to facilitate implementation and to ensure the consistency of the information collected.

The Financial Supervisory Authority may issue further regulations on the reporting of the information referred to in this section to the Financial Supervisory Authority.

Section 2 (523/2021)
Supervisory review and evaluation

The Financial Supervisory Authority shall review, to the extent relevant and necessary, taking into account the investment firm's size, risk profile and business model, the arrangements, strategies, processes and mechanisms implemented by investment firms and evaluate the following as appropriate and relevant, so as to ensure a sound management and coverage of the investment firm's risks:

1) the risks referred to in chapter 6b, section 2a;

2) the geographical location of the investment firm's exposures;

3) the business model of the investment firm;

4) the assessment of systemic risk, taking into account the identification and measurement of systemic risk under Article 23 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC or recommendations of the European Systemic Risk Board;

5) the risks posed to the security of investment firms' network and information systems to ensure confidentiality, integrity and availability of their processes, data and assets;

6) the exposure of the investment firm to the interest rate risk arising from non-trading book activities;

7) governance arrangements of the investment firm and the ability of members of management to perform their duties.

When conducting the review and evaluation referred to in subsection 1, the Financial Supervisory Authority shall duly take into account whether the investment firm holds a professional indemnity insurance. The Financial Supervisory Authority shall establish the frequency and intensity of the review and evaluation referred to subsection 1, having regard to the size, nature, scale and complexity of the activities of the investment firms concerned and, where relevant, their systemic importance, and taking into account the principle of proportionality.

The Financial Supervisory Authority shall decide on a case-by-case basis whether and in which form the review and evaluation is to be carried out with regard to investment firms that meet the conditions for qualifying as small and non-interconnected investment firms set out in Article 12, paragraph 1 of the EU Investment Firms Regulation, only where they deem it to be necessary due to the size, nature, scale and complexity of the activities of those investment firms.

When conducting the review and evaluation of the factors under subsection 2 above, the Financial Supervisory Authority the provisions of chapter 9 of this Act on segregation applicable to client money held shall be considered.

When conducting the review and evaluation referred to in subsection 1, paragraph 7, the Financial Supervisory Authority shall have access to agendas, minutes and supporting documents for

meetings of the management body and its committees, and the results of the internal or external evaluation of the performance of management.

Section 3 (523/2021)
Ongoing supervision of the permission to use internal models

The Financial Supervisory Authority shall monitor on a regular basis, and at least every three years review, investment firms' compliance with the requirements for the permission to use internal models as referred to in Article 22 of the EU Investment Firms Regulation. The Financial Supervisory Authority shall in particular have regard to changes in an investment firm's business and to the implementation of those internal models to new products, and review and assess whether the investment firm uses well-developed and up-to-date techniques and practices for those internal models.

The Financial Supervisory Authority shall ensure that material deficiencies identified in the coverage of risk by an investment firm's internal models are rectified, or take steps to mitigate their consequences, including by imposing capital add-ons or higher multiplication factors.

Where, for internal risk-to-market models, numerous overshootings as referred to in Article 366 of the EU Capital Requirements Regulation indicate that the internal models are not or are no longer accurate, the Financial Supervisory Authority shall revoke the permission to use the internal models or impose appropriate measures to ensure that the internal models are improved promptly within a set timeframe.

Where an investment firm that has been granted permission to use internal models no longer meets the requirements for applying those internal models, the Financial Supervisory Authority shall require the investment firm either to demonstrate that the effect of non-compliance is immaterial or to present a plan and a deadline to comply with those requirements. The Financial Supervisory Authority shall require improvements to the presented plan where that plan is unlikely to result in full compliance or where the deadline is inappropriate.

Where it is unlikely that the investment firm will comply by the prescribed deadline or has not satisfactorily demonstrated that the effect of non-compliance is immaterial, the Financial

Supervisory Authority shall revoke the permission to use internal models or limit it to areas where compliance can be achieved by an appropriate deadline.

Section 4 (523/2021)
Supervisory measures

The Financial Supervisory Authority shall require investment firms to take, at an early stage, the measures necessary to address the following problems:

1) an investment firm does not meet the requirements imposed on it under chapter 6, sections 1, 2a or 2b, or under chapter 6b, sections 1a, 2a, 2b or 7–11, or arising from this chapter or the EU Investment Firms Regulation;

2) the Financial Supervisory Authority has evidence that an investment firm is likely to breach the provisions of chapter 6, sections 1, 2a or 2b; chapter 6b, sections 1a, 2a, 2b or 7–11; this chapter; or the EU Investment Firms Regulation within the next 12 months.

Section 5 (523/2021)
Supervisory powers

For the purposes of section 2, section 3, subsections 4 and 5, and section 4, the Financial Supervisory Authority may:

1) require an investment firm to have own funds in excess of the requirements set out in Article 11 of the EU Investment Firms Regulation, under the conditions laid down in section 6 of this chapter, or to adjust the own funds and liquid assets required in case of material changes in the business of the investment firm;

2) require the reinforcement of the arrangements, processes, mechanisms and strategies implemented in accordance with chapter 6, section 2a and chapter 6b, section 1a;

3) require investment firms to present, within one year, a plan to restore compliance with supervisory requirements laid down in chapter 6, chapter 6b, sections 1a, 1b, 2a–2c, and 7–11

and in this chapter and in the EU Investment Firms Regulation, and to set a deadline for the implementation of that plan and require improvements to that plan regarding scope and deadline;

4) require an investment firm to apply a specific provisioning policy or treatment of assets in terms of own funds requirements;

5) restrict or limit the business, operations or network of an investment firm or request the divestment of activities that pose excessive risks to the financial soundness of an investment firm;

6) require the reduction of the risk inherent in the activities, products and systems of an investment firm, including outsourced activities;

7) require an investment firm to limit variable remuneration as a percentage of net revenues where that remuneration is inconsistent with the maintenance of a sound capital base;

8) require an investment firm to use net profits to strengthen own funds;

9) restrict or prohibit distributions or interest payments by an investment firm to shareholders, members or holders of Additional Tier 1 instruments where that restriction or prohibition does not constitute an event of default of the investment firm;

10) impose additional or more frequent reporting requirements to those set out in this Act or in the EU Investment Firms Regulation, including reporting on capital and liquidity positions;

11) impose specific liquidity requirements in accordance with section 8;

12) require additional disclosures from an investment firm;

13) require an investment firm to reduce the risks posed to the security of the investment firm's network and information systems to ensure confidentiality, integrity and availability of its processes, data and assets.

For the purposes of subsection 1, paragraph 10, the Financial Supervisory Authority may only impose additional or more frequent reporting requirements on investment firms where the information to be reported is not duplicative and one of the following conditions is met:

1) one of the conditions referred to in section 4, paragraph 1 or 2 applies;

2) the Financial Supervisory Authority considers it to be necessary to gather the evidence referred to in section 4, paragraph 2;

3) the additional information is required for the purpose of the supervisory review and evaluation process referred to in section 2.

Information shall be deemed to be duplicative where the Financial Supervisory Authority already has the same or substantially the same information, where that information is capable of being produced by the Financial Supervisory Authority or of being obtained by it through other means than a requirement on the investment firm to report it. The Financial Supervisory Authority shall not require additional information where the information is available to it in a different format or level of granularity than the additional information to be reported and that different format or granularity does not prevent it from producing substantially similar information.

The Financial Supervisory Authority may issue further regulations on the obligation to increase own funds referred to in subsection 1, paragraph 1 and the reporting to the Financial Supervisory Authority of information necessary to supervision of the obligation and on the requirements for the contents of the plan referred to in subsection 1, paragraph 3.

Section 6 (523/2021)
Additional own funds requirement

The Financial Supervisory Authority shall impose the additional own funds requirement referred to in section 5, subsection 1, paragraph 1 only where, on the basis of the reviews carried out in accordance with sections 2 and 3, it ascertains any of the following situations for an investment firm:

1) the investment firm is exposed to risks or elements of risks, or poses risks to others that are material and are not covered or not sufficiently covered by the own funds requirement, and especially K-factor requirements, set out in Part Three or Four of the EU Investment Firms Regulation;

2) the investment firm does not meet the requirements set out in chapter 6, section 2a or chapter 6b, section 1a and other supervisory measures are unlikely to sufficiently improve the arrangements, processes, mechanisms and strategies within an appropriate timeframe;

3) the adjustments in relation to the prudent valuation of the trading book are insufficient to enable the investment firm to sell or hedge out its positions within a short period without incurring material losses under normal market conditions;

4) the review carried out in accordance with section 3 shows that non-compliance with the requirements for the application of the permitted internal models will likely lead to inadequate levels of capital;

5) the investment firm repeatedly fails to establish or maintain an adequate level of additional own funds as set out in section 7.

For the purposes of subsection 1, paragraph 1, risks or elements of risks shall be considered not to be covered or to be insufficiently covered by the own funds requirements set out in Parts Three and Four of the EU Investment Firms Regulation only where the amounts, types and distribution of capital considered adequate by the Financial Supervisory Authority following the supervisory review of the assessment carried out by the investment firm in accordance with chapter 6, section 2a, subsection 1 are higher than the investment firm's own funds requirement set out in Part Three or Four of the EU Investment Firms Regulation.

For the purposes of subsection 2 above, the capital considered to be adequate may include risks or elements of risks that are explicitly excluded from the own funds requirement set out in Part Three or Four of the EU Investment Firms Regulation.

The Financial Supervisory Authority shall determine the level of the additional own funds required pursuant to section 5, subsection 1, paragraph 1 as the difference between the capital considered

adequate pursuant to subsection 2 of this section and the own funds requirement set out in Part Three or Four of the EU Investment Firms Regulation.

The Financial Supervisory Authority shall require investment firms to meet the additional own funds requirement referred to in section 5, subsection 1, paragraph 1 with own funds subject to the following conditions:

1) at least three quarters of the additional own funds requirement is met with Tier 1 capital;

2) at least three quarters of the Tier 1 capital is composed of Common Equity Tier 1 capital;

3) those own funds are not used to meet any of the own funds requirements set out in Article 11, paragraph 1, points a, b and c of the EU Investment Firms Regulation.

In addition to what is provided elsewhere in law regarding reasoning of decisions, the decision referred to in this section shall indicate the circumstances, based on which the Financial Supervisory Authority considers the conditions for imposing an additional own funds requirement to be met as well as information on the targeting of the additional own funds requirements. In the case referred to in subsection 1, paragraph 4 above the decision shall include a specific statement of why the level of capital established in accordance with section 7, subsection 1 is no longer considered sufficient.

The Financial Supervisory Authority may impose an additional own funds requirement in accordance with this section on investment firms that meet the conditions for qualifying as small and non-interconnected investment firms set out in Article 12, paragraph 1 of the EU Investment Firms Regulation on the basis of a case-by-case assessment and where it deems this to be justified.

Section 7 (523/2021)
Guidance on additional own funds

Taking into account the principle of proportionality and commensurate with the size, systemic importance, nature, scale and complexity of activities of the investment firm, Financial Supervisory Authority may require that also an investment firm that does not meet the conditions for qualifying

as a small and non-interconnected investment firm set out in Article 12, paragraph 1 of the EU Investment Firms Regulation (EU) 2019/2033 to have a level of own funds which, based on chapter 6, section 2a, is sufficiently above the requirements set out in Part Three of the EU Investment Firms Regulation and in chapter 6 and chapter 6b, sections 1a, 1b, 2a–2c and 7–11 of this Act, including the additional own funds requirements referred to in section 5, subsection 1, paragraph 1, to ensure that cyclical economic fluctuations do not lead to a breach of those requirements or threaten the ability of the investment firm to wind down or cease activities in an orderly manner.

Where appropriate, the Financial Supervisory Authority shall review the level of own funds that has been set by each investment firm that does not meet the conditions for qualifying as a small and non-interconnected investment firm set out in Article 12, paragraph 1 of the EU Investment Firms Regulation, in accordance with subsection 1 and, where relevant, shall communicate the conclusions of that review to the investment firm concerned, including any expectation for adjustments to the level of own funds established in accordance with subsection 1. Such a communication shall include the date by which the Financial Supervisory Authority requires the adjustment to be completed.

Section 8 (523/2021)
Specific liquidity requirements

The Financial Supervisory Authority shall impose the specific liquidity requirements referred to in section 5, subsection 1, paragraph 11 only where, on the basis of the reviews carried out in accordance with sections 2 and 3, it concludes that an investment firm that does not meet the conditions for qualifying as a small and non-interconnected investment firm set out in Article 12, paragraph 1 of the EU Investment Firms Regulation or that meets the conditions set out in Article 12, paragraph 1 of that Regulation but has not been exempted from liquidity requirement in accordance with Article 43, paragraph 1 of the said Regulation is in one of the following situations:

1) the investment firm is exposed to liquidity risk or elements of liquidity risk that are material and are not covered or not sufficiently covered by the liquidity requirement set out in Part Five of the EU Investment Firms Regulation;

2) the investment firm does not meet the requirements set out in chapter 6, section 2a and chapter 6b, section 1a and other administrative measures are unlikely to sufficiently improve the arrangements, processes, mechanisms and strategies within an appropriate timeframe.

For the purposes of subsection 1, paragraph 1 above, liquidity risk or elements of liquidity risk shall be considered not to be covered or to be insufficiently covered by the liquidity requirement set out in Part Five of the EU Investment Firms Regulation only where the amounts and types of liquidity considered adequate by the Financial Supervisory Authority following the supervisory review of the assessment carried out by the investment firm in accordance with chapter 6, section 2a, subsection 1 are higher than the investment firm's liquidity requirement set out in Part Five of the EU Investment Firms Regulation.

The Financial Supervisory Authority shall determine the level of the specific liquidity required pursuant to section 5, subsection 1, paragraph 11 as the difference between the liquidity considered adequate pursuant to subsection 2 of this section and the liquidity requirement set out in Part Five of the EU Investment Firms Regulation.

The Financial Supervisory Authority shall require investment firms to meet the specific liquidity requirements referred to in section 5, subsection 1, paragraph 11 with liquid assets as set out in Article 43 of the EU Investment Firms Regulation.

The Financial Supervisory Authority shall substantiate in writing its decision to impose a specific liquidity requirement as referred to in section 5, subsection 1, paragraph 11 by giving a clear account of the full assessment of the elements referred to in subsections 1–3 of this section.

Section 9 (523/2021)
Cooperation with resolution authorities

The Financial Supervisory Authority shall notify the Financial Stability Authority of any additional own funds requirement imposed pursuant to section 5, subsection 1, paragraph 1 for an investment firm that falls under the scope of the Resolution Directive and about any expectation for adjustments as referred to in section 7, subsection 2 of this chapter in respect to such investment firm.

Section 10 (523/2021)
Publication requirements

The Financial Supervisory Authority may require investment firms that do not meet the conditions for qualifying as small and non-interconnected investment firms set out in Article 12, paragraph 1 of the EU Investment Firms Regulation and investment firms referred to in Article 46, paragraph 2 of that Regulation to publish the information referred to in Article 46 of the Regulation more than once a year and to set deadlines for that publication.

The Financial Supervisory Authority may require the investment firms referred to in subsection 1 to use specific media and locations, in particular the investment firms' websites, for publications other than the financial statements.

The Financial Supervisory Authority may require parent undertakings to publish annually, either in full or by way of references to equivalent information, a description of their legal structure and governance and organisational structure of the investment firm group in accordance with chapter 3, sections 3 and 4; chapter 6a, section 1; and chapter 6b, section 1a.

Section 11 (523/2021)
Informing the European Banking Authority

The Financial Supervisory Authority shall inform the European Banking Authority of:

1) the review and evaluation process referred to in section 2;

2) the methodology used for decisions referred to in sections 5, 6 and 7;

3) the level of administrative sanctions referred to in chapter 15.

Section 12 (523/2021)
Determination of the supervisor

Where an investment firm group is headed by a Union parent investment firm, supervision on a consolidated basis or supervision of compliance with the group capital test is exercised by the Financial Supervisory Authority.

Where the parent undertaking of an investment firm is a Union parent investment holding company or a Union parent mixed financial holding company, supervision on a consolidated basis or supervision of compliance with the group capital test is exercised by the competent authority of that investment firm.

Where two or more investment firms authorised in two or more Member States have the same Union parent investment holding company or the same Union parent mixed financial holding company, supervision on a consolidated basis or supervision of compliance with the group capital test is exercised by the competent authority of the investment firm authorised in the Member State in which the investment holding company or mixed financial holding company is established.

Where the parent undertakings of two or more investment firms authorised in two or more Member States comprise more than one investment holding company or mixed financial holding company with head offices in different Member States and where there is an investment firm in each of those Member States, supervision on a consolidated basis or supervision of compliance with the group capital test shall be exercised by the competent authority of the investment firm with the largest balance sheet total.

Where two or more investment firms authorised in the Union have as their parent the same Union investment holding company or Union mixed financial holding company and none of those investment firms has been authorised in the Member State in which the investment holding company or mixed financial holding company was set up, supervision on a consolidated basis or supervision of compliance with the group capital test is exercised by the competent authority of the investment firm with the largest balance sheet total.

Competent authorities may, by common agreement, waive the criteria referred to in subsections 3–5 where their application would not be appropriate for the effective supervision on a

consolidated basis or supervision of compliance with the group capital test, taking into account the investment firms concerned and the importance of their activities in the relevant Member States, and designate a different competent authority to exercise supervision on a consolidated basis or supervision of compliance with the group capital test. In those cases, competent authorities shall, before adopting any such decision, give the Union parent investment holding company or Union parent mixed financial holding company or investment firm with the largest balance sheet total, as appropriate, an opportunity to state its opinion on that intended decision. Competent authorities shall notify the European Commission and the European Banking Authority of any such decision.

Section 13 (523/2021)
Special tasks relating to supervision

Where the Financial Supervisory Authority exercises supervision under section 12 and a college of supervisors as referred to in section 65b of the Act on the Financial Supervisory Authority has been established for the purpose of supervision, in addition to what is laid down in section 65c of the Act on the Financial Supervisory Authority on its mission and activities, the college of supervisors shall carry out the following tasks:

1) verification of the information required for supervision and the coordination of information requests where this is necessary for facilitating supervision on a consolidated basis, in accordance with Article 7 of the EU Investment Firms Regulation; in respect of an investment firm group, relevant information includes identification of the investment firm group's legal and governance structure, including its organisational structure, covering all regulated and non-regulated entities, non-regulated subsidiaries and the parent undertakings, and of the competent authorities of the regulated entities in the investment firm group;

2) information sharing on any adverse developments in investment firms or in other entities of an investment firm group, which could seriously affect those investment firms;

3) information sharing on any significant sanctions imposed and exceptional measures taken in respect of an investment firm for compliance with the capital requirements provisions and specific own funds requirements imposed in accordance with section 5, subsection 1, paragraph 1.

Where the information referred to in subsection 1 has not been communicated without undue delay or where a request for cooperation, in particular to exchange relevant information, has been rejected or has not been acted upon within a reasonable period of time, the Financial Supervisory Authority may refer the matter to the European Banking Authority in accordance with Article 19, paragraph 1 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC.

Section 14 (523/2021)
Exchange of information in crises

Where the Financial Supervisory Authority exercises supervision under section 12, it shall alert of an emergency situation arising, including a situation as described in Article 18 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC or a situation of adverse developments in markets, which potentially jeopardises the market liquidity and the stability of the financial system in any of the Member States where entities of an investment firm group have been authorised. Taking into account the provisions laid down in the Act on the Financial Supervisory Authority on the confidentiality obligation of the authority and cooperation with third-country authorities as well as on the auditor's duty to report, the Financial Supervisory Authority shall notify, as soon as practicable, the European Banking Authority, the European Systemic Risk Board and any relevant competent authorities and shall communicate all information essential for the performance of their tasks.

Section 15 (523/2021)
Cooperation and information sharing in carrying out prudential supervision duties under the Investment Firms Directive

The Financial Supervisory Authority shall cooperate closely with the competent authorities of other Member States for the performance of the prudential supervision duties laid down in this Act, in particular by exchanging information about investment firms without delay, including the following:

1) information about the management and ownership structure of the investment firm;

2) information about compliance with own funds requirements by the investment firm;

3) information about compliance with the concentration risk requirements and liquidity requirements of the investment firm;

4) any other relevant factors that may influence the risk posed by the investment firm.

When acting as the competent Authority of the home Member State, the Financial Supervisory Authority shall immediately provide the competent authorities of the host Member State with any information and findings about any potential problems and risks posed by an investment firm to the protection of clients or the stability of the financial system in the host Member State which it has identified when supervising the activities of an investment firm.

The Financial Supervisory Authority shall act upon information provided by the competent authorities of the host Member State by taking all measures necessary to avert or remedy potential problems and risks as referred to in subsection 2. Upon request, the Financial Supervisory Authority shall explain in detail to the competent authorities of the host Member State how it has taken into account the information and findings provided by the competent authorities of the host Member State.

For the purpose of assessing the condition in Article 23, paragraph 1, subparagraph 1, point c of the EU Investment Firms Regulation, the Financial Supervisory Authority acting as the competent authority of an investment firm's home Member State may request the competent authority of a clearing member's home Member State to provide information relating to the margin model and parameters used for the calculation of the margin requirement of the relevant investment firm.

Section 16 (523/2021)
Right of the Financial Supervisory Authority to inspect and to obtain information

Confidentiality provisions notwithstanding, the Financial Supervisory Authority has the right to carry out in Finland on-the-spot checks and inspections of the activities carried out by a branch of an EEA investment firm and to require information about the activities of the branch where the

Financial Supervisory Authority considers this to be relevant for reasons of stability of the financial system in Finland.

Before carrying out the checks or inspections referred to in subsection 1, the Financial Supervisory Authority shall, without delay, consult the authorities of the home Member State of the EEA investment firm.

As soon as possible following the completion of the checks and inspections referred to in subsection 1, the Financial Supervisory Authority shall communicate to the authorities of the home Member State of the EEA investment firm the information obtained and findings that are relevant for the risk assessment of the investment firm concerned.

In addition, the right of the Financial Supervisory Authority to inspect and to obtain information is subject to the provisions laid down elsewhere by law.

Section 17 (523/2021)
Assessment of third-country supervision and other supervisory techniques

The Financial Supervisory Authority shall assess the equivalence of third-country supervision in a situation where two or more investment firms that are subsidiaries of the same parent undertaking, the head office of which is in a third country, are not subject to effective supervision at group level.

Where the Financial Supervisory Authority acts as the group supervisor and it concludes that no such equivalent supervision applies, after consulting the other competent authorities involved, it shall decide on supervisory measures which achieve the objectives of supervision in accordance with Articles 7 and 8 of the EU Investment Firms Regulation. Any supervisory measures referred to in this section shall be notified to the other competent authorities involved, to the European Banking Authority and to the European Commission.

Where the Financial Supervisory Authority is the group supervisor and where the parent undertaking is established in the Union, the Financial Supervisory Authority may require the establishment of an investment holding company or mixed financial holding company in the Union

and apply Articles 7 and 8 of the EU Investment Firms Regulation to that investment holding company or mixed financial holding company.

Section 18 (523/2021)

Financial Supervisory Authority's power to issue provisions

The Financial Supervisory Authority may issue further regulations required for the implementation of the Investment Firms Directive and the EU Investment Firms Regulation on the implementation of sections 6, 7 and 10 as well as on the financial requirements referred to in this chapter and the obligation to provide information on a regular basis required for the supervision of these.

Chapter 7 (1069/2017)

Arrangement of activities of an investment firm

Section 1 (1069/2017)

Place of business and head office

An investment firm shall have at least one permanent place of business for its activities. It may carry out its activities also at other places of business.

The head office of the investment firm has to be located in Finland.

Section 2 (1069/2017)

Reliable arrangement of activities

The activities of an investment firm shall be arranged in a reliable manner, taking into account the nature and scale of its business.

An investment firm shall establish adequate policies and procedures to ensure that its activities are arranged as provided in this Act and that the firm, its senior management, employees and tied agents comply with the obligations laid down by the law as well as the rules governing personal transactions by such persons.

An investment firm shall take reasonable steps to safeguard continuity and regularity in the provision of investment services and the performance of investment activity. To that end, the investment firm shall employ appropriate and proportionate systems, resources and procedures.

An investment firm shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment as well as effective control and safeguard arrangements for information processing systems.

An investment firm shall have sound security mechanisms in place to guarantee the security and authentication of the means of transfer of information, to minimise the risk of data corruption and unauthorised access and to prevent information leakage and to maintain the confidentiality of the data at all times, but without restricting the access of the Financial Supervisory Authority to the data.

An investment firm shall have procedures to ensure that a natural person, who gives investment advice or information on financial instruments, investment services or ancillary services to clients on behalf of the investment firm, possesses the necessary knowledge and competence to the provision of the services referred to above taking into account the nature and scale of the duties.

Section 3 (1069/2017)
Restrictions on the acquisition of own shares, participations, capital loans and debentures

An investment firm and an undertaking belonging to its investment firm consolidation group may grant a loan for the acquisition of its own shares and participations and shares and participations of the parent company or accept them as a pledge only subject to the restrictions laid down in subsections 2 and 3. Placing of collateral for the payment of a loan referred to above from the funds of an investment firm or an undertaking belonging to its investment firm consolidation group shall be deemed comparable to granting a loan. (523/2021)

Unless otherwise provided for in subsection 3, an investment firm and an undertaking belonging to its investment firm consolidation group may, notwithstanding the provisions of chapter 13, section 10, subsection 1 of the Limited-Liability Companies Act as well as section 34, subsection 3 of the Promissory Notes Act (622/1947), grant a loan for the acquisition of its own shares and participations or the shares and participations of the parent company and accept them as pledge if: (155/2022)

1) they are admitted to trading on a regulated market referred to in the Act on Trading in Financial Instruments;

2) the granting of loans or acceptance of pledges belongs to the ordinary business of the investment firm or of an undertaking belonging to its consolidation group; and

3) the loan is granted or the pledge accepted under ordinary terms complied with in the activities of the investment firm.

(523/2021)

An investment firm and an undertaking belonging to its investment firm consolidation group may accept as a pledge its own shares and participations and the shares and participations of the parent company as collateral for a loan granted for the financing of their subscription at most in an amount which, in nominal value, corresponds to one-tenth of the restricted capital of the undertaking which has granted the loan or, if the shares or participations pledged are those of the parent company of the undertaking which has granted the loan, of the restricted capital of the parent company. (523/2021)

The provisions of subsections 2 and 3 on own shares and participations and the shares and participations of the parent company shall correspondingly apply to its own and the parent company's capital investments, capital loans, debentures and other commitments subordinate to the other debts of the issuer.

Section 4 (1069/2017)
Close links of an investment firm

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

After authorisation has been granted, the Financial Supervisory Authority shall be notified immediately of any changes to the information on close links that was declared in the authorisation application.

Section 5 (1069/2017)
Outsourcing of a critical operational function

An investment firm may outsource an operational function that is critical for the provision of investment services or the performance of investment activity if the investment firm takes reasonable steps to avoid undue additional operational risk. The outsourcing of a function may not be undertaken in such a way as to materially impair the quality of its internal control or to affect the supervision by the authorities of the activities of the investment firm.

The depositing of client financial instruments with a third party shall be provided in chapter 9, section 2.

Section 6 (1069/2017)
Tied agent

An investment firm may use a tied agent in the provision of the services referred to in subsection 2. The tied agent acts on behalf and under the responsibility of the investment firm. A tied agent may act on behalf of only one investment firm. The tied agent shall disclose to the client the tied agent's capacity and the name of the investment firm that the tied agent represents.

A tied agent may:

1) receive and transmit instructions and orders from the clients in respect of investment and ancillary services or financial instruments;

2) place financial instruments to clients;

3) provide investment and ancillary services or advice in respect of financial instruments offered by the investment firm to clients;

4) promote the investment and ancillary services of the investment firm to clients.

The investment firm shall ensure that the tied agent appointed by it is of good repute and possesses the appropriate general, commercial and professional knowledge and competence so as to be able to deliver the investment or ancillary services and to communicate all relevant information relating to the proposed service to the client and that the tied agent is admitted to the register of tied agents referred to in subsection 4. The investment firm shall ensure that the other activities of the tied agent do not cause damage to the activities of the investment firm.

The tied agent may hold client assets on behalf and under the responsibility of the investment firm. If the tied agent acts on behalf of an investment firm in another EEA Member State, a precondition shall be that said State allows an agent corresponding to a tied agent to hold client assets.

In order to supervise the legality of the activities of tied agents, the Financial Supervisory Authority keeps a public register of tied agents (a register of tied agents) and the investment firm notifies therein the tied agents appointed by it who fulfil the preconditions provided in subsection 3 for tied agents. The register shall indicate the full name of a natural person, that person's place of residence and the address of the place of business where the activity is carried out. If the agent is a legal person, the register shall indicate its name, business ID, place of registered office and the address of the place of business where the activity is carried out. In addition to the information entered in the register, the personal identity number of a natural person shall be provided to the Financial Supervisory Authority. The information entered in the register shall be kept for five years after the grounds for entering information in the register have lapsed. The register shall be updated on a regular basis and it shall be publicly available for consultation. Notwithstanding the provisions of section 16, subsection 3 of the Act on the Openness of Government Activities (621/1999), the Financial Supervisory Authority may grant access to information on the name, place of residence and the address of the place of business of a natural person as provided for in the Act on Data Management in Public Administration (906/2019) or make them publicly available through an electronic data network. (922/2019)

Section 7 (1069/2017)
Obligations of the manufacturers and distributors of financial instruments

An investment firm which manufactures financial instruments shall maintain an up-to-date product management process to ensure that the manufacture of the financial instruments complies with the requirements set on the orderly management of conflicts of interest and is in the interest of the clients. Each financial instrument and any significant adaptations thereof shall be approved in the process before the financial instrument is marketed or distributed to clients. The process shall specify the client target group within each category of clients for each financial instrument, ensure that all relevant risks to the client target group and the cost structure are assessed and that the intended distribution strategy is consistent with the identified client target group. The process shall also specify the client target group to which the financial instrument is not suitable.

An investment firm which manufactures financial instruments shall make available to any distributor all appropriate information on the financial instrument and the product management process relating to the approval of the products as well as on the client target group of the financial instrument. The investment firm shall aim to ensure that the financial instrument is offered to the identified client target group.

An investment firm shall regularly review the financial instruments it offers or markets and the potential risks related thereto and assess at least whether the financial instrument remains consistent with the needs of the client target group and whether the intended distribution strategy remains appropriate.

In order to be able to offer or recommend financial instruments which the investment firm does not manufacture itself, it shall have in place appropriate product management processes through which it can obtain the information referred to in subsection 2 on the financial instrument, the product approval process as well as on the client target group of the financial instrument. The distributor shall, based on the information obtained from the manufacturer of the product and relating to its own clients, specify the compatible and non-compatible client target groups for the financial instrument and the service. The distributor shall provide the manufacturer of the financial instrument with information on the experiences obtained from its offer for reviewing the compatibility of the client target group.

The manufacturer and distributor of a financial instrument shall establish procedures to ensure that a natural person, who participates in the manufacturing or offering of a financial instrument, has the necessary expertise to understand the characteristics and risks of said financial instruments, products and services to be offered as well as the needs, characteristics and goals of the identified target market.

The distributor of a financial instrument shall ensure that the financial instrument is offered or recommended to a client only when in the interest of the client.

The obligations laid down in subsections 1–3 and 6 do not apply to an investment firm the investment service offered by which concerns bonds that include, as the only derivative, a clause referred to in chapter 1, section 26, subsection 18, or to an investment firm that provides or markets a financial instrument only to an eligible counterparty. (939/2021)

Section 8 (1069/2017)
Duty to prepare

An investment firm which offers safekeeping of financial instruments as an ancillary service shall ensure attendance to its duties with as little disturbance as possible also in exceptional circumstances by participating in the preparedness planning of the financial markets and by preparing in advance the actions to be taken in exceptional circumstances as well as by other measures.

If the tasks resulting from subsection 1 require measures which clearly differ from the activities of an investment firm to be considered ordinary and which entail considerable additional costs, these costs may be reimbursed from the National Emergency Supply Fund referred to in the Act on the Protection of National Emergency Supply (1390/1992).

Section 9 (1069/2017)
Management of conflicts of interest

An investment firm shall take all adequate steps to identify and prevent conflicts of interest and, if they arise, treat the client in accordance with proper practice.

If a conflict of interest cannot be avoided, the investment firm shall provide, in a permanent manner, the client with adequately detailed information on the nature of the conflict of interest and its sources as well as on the steps taken to mitigate the risks affecting the interests of the client before undertaking business on its behalf. (294/2019)

An investment firm shall have operational policies to be complied with in the identification and prevention of conflicts of interest.

Section 10 (523/2021)
Acquisition of control in an undertaking located in a third country

An investment firm or an undertaking belonging to its investment firm consolidation group shall notify the Financial Supervisory Authority in advance if it intends to acquire control referred to in chapter 1, section 5 of the Accounting Act in a credit institution, an investment firm, a management company, an AIFM or an insurance company whose registered office is in a third country.

The Financial Supervisory Authority may, within three months from receipt of the notification referred to in subsection 1, forbid the acquisition of control if the laws, decrees or administrative provisions applicable to the undertaking subject to the acquisition would materially hinder the efficient supervision of the investment firm or its investment firm consolidation group.

The Financial Supervisory Authority may issue further regulations on the information to accompany the notification referred to in subsection 1 and other equivalent matters to be complied with in the notification procedure.

Section 11 (1069/2017)
Inclusion of an investment firm in a foreign investment firm consolidation group, a foreign consolidation group under the Act on Credit Institutions or a foreign financial and insurance conglomerate (523/2021)

If an investment firm belongs to an investment firm consolidation group whose ultimate parent company is located in a third country, a precondition for the granting of an authorisation of an investment firm shall be that:

1) the foreign authority has sufficient competence to supervise the entire investment firm consolidation group in a manner comparable to the provisions of this Act; or that

2) the consolidated solvency, consolidated large exposures to customers, the internal supervision of the investment firm consolidation group and its risk-management methods as well as the suitability and trustworthiness of the owners and the management of the holding company comply with the requirements of this Act.

(523/2021)

The Financial Supervisory Authority shall decide whether an investment firm meets the requirements of subsection 1 if the investment firm does not have a parent company in another EEA Member State and the balance-sheet total of the investment firm exceeds the balance-sheet total of any other such foreign subsidiary credit institution or foreign subsidiary comparable to a Finnish investment firm of the parent company of the investment firm whose place of registered office is in another EEA Member State.

Prior to making the decision referred to in subsection 2, the Financial Supervisory Authority shall request a statement of the foreign authorities, which are responsible for the supervision of the foreign credit institutions belonging to the investment firm consolidation group referred to in subsection 1 and regulated in another EEA Member State and undertakings corresponding to a Finnish investment firm, and of the European Banking Authority and the European Securities and Markets Authority. After making the decision referred to in subsection 2, the Financial Supervisory Authority shall notify the said authorities and the European Commission thereof. (523/2021)

The provisions of subsection 1 shall not be applied to an investment firm subject to the consolidated supervision by a foreign EEA supervisory authority if this authority has deemed that the investment firm consolidation group meets the requirements set in subsection 1. (523/2021)

The provisions of subsection 1 on an investment firm consolidation group shall correspondingly apply to a consolidation group under the Act on Credit Institutions and to a financial and insurance conglomerate. (523/2021)

Section 12 (1069/2017)
Obligation to file an insider declaration

An insider of an investment firm shall declare the information on shares, admitted to trading on a regulated market or on an MTF in Finland, and such financial instruments, the value of which is determined on the basis of the said shares, to the insider register of an investment firm referred to in section 14 as provided for in section 13, hereinafter an insider declaration.

An *insider of an investment firm* means:

1) a member or deputy member of the Board of Directors or the Supervisory Board, the Managing Director or Deputy Managing Director of an investment firm or an auditor, deputy auditor or an employee of an audit organisation with main responsibility for the audit of the accounts of the company;

2) a person employed by an investment firm whose duties include investment research regarding the shares and financial instruments referred to in subsection 1 and who, as part of their main duties, participates in the provision of investment services or who otherwise has access to insider information referred to in Article 7 of the EU Market Abuse Regulation on such shares or financial instruments on a regular basis.

A member or deputy member of the Supervisory Board, a deputy member of the Board of Directors as well as an auditor, deputy auditor or an employee of an audit organisation with main responsibility for the audit of the accounts of the credit institution, of a credit institution providing investment service shall submit an insider declaration only if he, on a regular basis, has access to insider information referred to in Article 7 of the EU Market Abuse Regulation on the shares or financial instruments referred to in subsection 1.

Section 13 (1069/2017)
Insider declaration

An insider of an investment firm shall submit an insider declaration within fourteen days from being appointed to the duty referred to in section 12, subsection 2.

The insider declaration shall state:

1) a minor whose guardian the insider is;

2) an organisation or foundation in which the insider or the minor referred to in subsection 1 directly or indirectly exercises control;

3) the shares admitted to trading on a regulated market or on an MTF and held by the insider himself as well as by the minor referred to in paragraph 1 and the organisation or foundation referred to in paragraph 2 and such financial instruments, the value of which is determined on the basis of the said shares.

An insider shall, while in their function, within seven days, declare to the investment firm:

1) acquisitions and disposals of shares and financial instruments referred to in subsection 2, paragraph 3 when the change in the holding is at least EUR 5,000;

2) other changes in the information referred to in this section.

The information referred to in subsection 2, paragraphs 2 and 3 need not be declared insofar as they relate 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 association or an economic association or a non-profit organisation. If an association trades in financial instruments on a regular basis, information relating thereto shall, however, also be declared.

The declaration shall contain the information necessary to individualise the person, organisation or foundation in question as well as 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 in the book-entry system, the investment firm may make an arrangement through which the information is available from the book-entry system. In that case, no separate declarations need be submitted.

Section 14 (1069/2017)
Insider register of an investment firm

An investment firm shall keep a register of the insider declarations referred to in section 13 (an insider register of an investment firm), indicating, with regard to each insider, the shares and financial instruments referred to in section 13, subsection 2 held by the insider, the minor referred to in paragraph 1 and the organisation or foundation referred to in paragraph 2 as well as an itemization of the acquisitions and disposals.

If the declarations are submitted in accordance with section 13, paragraph 6, the insider register of an investment firm may, for that part, be formed from the information available from the book-entry system.

The maintenance of the insider register of an investment firm shall be arranged in a reliable manner. Information entered in the register shall be kept for five years from the making of the entry. Anyone shall have the right to get extracts and copies of the information in the register against costs. The personal identity number and address of a natural person as well as the name of a natural person other than an insider shall, however, not be public.

Section 15 (1069/2017)
Duty to prepare of a foreign EEA investment firm

The provisions of section 8 on preparedness and reimbursement of the costs resulting therefrom shall correspondingly apply to a branch of a foreign EEA investment firm. The duty provided for in section 8, subsection 1 shall not, however, apply to a branch of a foreign EEA investment firm if the branch has, under the legislation of the home Member State of the investment firm, ensured attendance to its duties in exceptional circumstances in a manner corresponding to section 8, subsection 1 and presented an adequate account thereon to the Financial Supervisory Authority.

Section 16 (1069/2017)
Authority of the Financial Supervisory Authority to issue regulations

The Financial Supervisory Authority shall issue further regulations required by the implementation of the Commission Delegated Directive on the duties of the manufacturer and distributor of a financial instrument referred to in section 7.

The Financial Supervisory Authority may issue more detailed regulations on the criteria and contents for the assessment of the necessary knowledge and competence referred to in section 2, subsection 6 and section 7, subsection 5, the contents and manner of filing of an insider declaration referred to in section 13 as well as on the contents of and manner of entering information in the insider register of an investment firm referred to in section 14.

Chapter 7a (1069/2017)
Algorithmic trading and direct electronic access

Section 1 (1069/2017)
Algorithmic trading

An investment firm that engages in algorithmic trading shall have in place effective systems and risk controls suitable to the business it operates with which it is possible to:

1) ensure the resilience and sufficient capacity of its trading systems as well as the appropriate trading thresholds and limits;

2) prevent the sending of erroneous orders or other functioning of the system in a way that may create or contribute to a disorderly market;

3) ensure that the trading systems cannot be used for any purpose that is contrary to the EU market abuse regulation or to the rules of the trading venue to which it is connected.

The investment firm referred to in subsection 1 shall also have in place effective business continuity arrangements to deal with any failure of its trading systems. The investment firm shall ensure that its systems are fully tested and properly monitored so that they meet the requirements provided in subsections 1 and 2.

An investment firm that engages in algorithmic trading in Finland or in an EEA Member State shall notify this to the Financial Supervisory Authority as well as to the competent authorities of the trading venue at which the investment firm is engaged in algorithmic trading as a member or participant of the trading venue.

The investment firm shall keep and provide, on request of the Financial Supervisory Authority, a description of the nature of its algorithmic trading strategies, details of the trading parameters or limits applicable to the system, the key compliance and risk controls that it has in place to ensure that the conditions provided in subsection 1 are satisfied as well as details of the testing of its systems.

The Financial Supervisory Authority shall, on request of the foreign EEA supervisory authority of the trading venue at which the investment firm is engaged in algorithmic trading as a member or participant of the trading venue, without undue delay, communicate the information referred to above in subsection 4.

An investment firm that engages in a high-frequency algorithmic trading technique shall store in an approved form accurate and time-sequenced records of all its placed orders, including cancelled orders, executed orders and quotations on trading venues and submit them to the Financial Supervisory Authority on request.

Section 2 (1069/2017)
Algorithmic trading and market making

An investment firm that engages in algorithmic trading to pursue a market making strategy shall, taking into account the liquidity, scale and nature of the specific market and the characteristics of the instrument traded:

1) carry out this market making continuously during a specified proportion of the trading venue's trading hours, except under exceptional circumstances, so that liquidity is provided to the trading venue on a regular and predictable basis;

2) enter into a binding written agreement with the trading venue which shall at least specify the obligations of the investment firm in accordance with paragraph 1; and

3) have in place effective systems and controls to ensure that it always fulfils its obligations under the agreement referred to in paragraph 2.

An investment firm that engages in algorithmic trading shall be considered to be pursuing a market making strategy when, as a member or participant of one or more trading venues, its strategy, when dealing on own account, involves posting firm, simultaneous two-way quotes of comparable size and at competitive prices relating to one or more financial instruments on a single trading venue or on different trading venues so that liquidity is provided on a regular and frequent basis to the overall market.

Section 3 (1069/2017)
Direct electronic access

An investment firm that provides direct electronic access to a trading venue shall have in place effective systems and controls which ensure that:

1) the suitability of the clients using the service is assessed and reviewed properly;

2) the clients using the service are prevented from exceeding appropriate pre-set trading and credit thresholds;

3) the trading by clients using said service is properly monitored and that appropriate risk controls prevent trading that may create risks to the investment firm itself or that could create or contribute to a disorderly market or could be contrary to the EU market abuse regulation or the rules of the trading venue.

An investment firm that provides direct electronic access shall ensure that clients using said service comply with the provisions of this Act and the Act on Trading in Financial Instruments as well as with the rules of the trading venue. The investment firm shall monitor the transactions in order to identify infringements of said rules, disorderly trading conditions or conduct that may involve market abuse, which are to be reported to the competent authority. The investment firm shall ensure that there is a binding written agreement between the firm and the client regarding the

essential rights and obligations arising from the provision of the service and that, under the agreement, the investment firm retains responsibility under this Act.

An investment firm that provides direct electronic access to a trading venue shall notify the Financial Supervisory Authority and the competent authorities of the trading venue at which the investment firm provides direct electronic access thereof.

The investment firm shall, on request of the Financial Supervisory Authority, provide a description of the systems and controls referred to in subsection 1 above and evidence that they have been applied.

The Financial Supervisory Authority shall, on request of the competent authority of the trading venue at which the investment firm provides direct electronic access, communicate without undue delay the information referred to in subsection 4 above.

The investment firm shall arrange for documentation in relation to the matters referred to in this section and ensure that the documentation is sufficient to enable the monitoring of compliance with the provisions.

Section 4 (1069/2017)
An investment firm participating as a clearing member in a central counterparty

An investment firm which provides clearing services as a clearing member referred to in Article 2, paragraph 14 of Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories to a client referred to paragraph 15 of said Article, shall have in place effective systems and procedures to ensure that clearing services are only provided to clients who are suitable and meet clear criteria and that said clients are subject to appropriate requirements in order to reduce the risks to the investment firm and to the market.

The investment firm and its client shall draw up a written agreement regarding the essential rights and obligations arising from the provision of the service referred to in subsection 1.

Section 5 (1069/2017)
Duty to notify of a foreign EEA investment firm

A foreign EEA investment firm engaged in algorithmic trading referred to in section 1 above in Finland shall notify the Financial Supervisory Authority thereof.

A foreign EEA investment firm providing direct electronic access to a stock exchange referred to in section 3 above shall notify the Financial Supervisory Authority thereof.

Section 6 (1069/2017)
Application of provisions to the trading parties of regulated markets and MTFs

The provisions of this chapter above on an investment firm shall also be applied to trading parties referred to in chapter 1, section 2, subsection 1, paragraph 15 of the Act on Trading in Financial Instruments which are not required to have an authorisation in accordance with this Act under chapter 1, section 2, subsection 1, paragraph 4 and subsection 3, paragraphs 2, 4 and 6 above.

Chapter 8
Annual accounts and auditing

Section 1 (365/2023)
Annual accounts and annual report

The annual accounts and annual report of an investment firm as well as the issuing of related instructions, statements and exceptional permits shall correspondingly be governed by the provisions on credit institutions laid down in chapter 12, sections 1–6 and 8–11 of the Act on Credit Institutions.

By way of derogation from chapter 12, section 5 of the Act on Credit Institutions, the provisions on the amount of own funds and the minimum amount of own funds laid down in Articles 9 and 11 of the EU Investment Firms Regulation shall apply to the solvency calculation to be included in a credit institution’s annual report. The provisions of Article 11, paragraph 1 of the EU Investment Firms Regulation shall apply to the calculation of the total risk exposure.

Section 2 (1069/2017)
Audit as well as special audit and auditor

In addition to the provisions elsewhere in the law, an investment firm shall be governed by the provisions of chapter 12, section 13, subsections 1, 3 and 4; section 14 and section 15, subsection 1 of the Act on Credit Institutions on the audit and auditors of a credit institution as well as on the ordering of a special audit and the appointment of a special auditor. (294/2019)

The duty to notify of an auditor of an authorised supervised entity shall be provided in section 31 of the Act on the Financial Supervisory Authority.

Section 3
Authority to issue decrees

Further provisions shall be issued by a Decree of the Ministry of Finance on the entering in the annual accounts of an investment firm of financial instruments and real estate other than in own use and any changes in their values, the layout for the balance sheet and the profit and loss account, the financing calculation, the information to be given in the notes to the balance sheet, the profit and loss account and the financing calculation and in the annual report, the layouts for the consolidated balance sheet and the consolidated profit and loss account and the consolidated financing calculation, the information to be given in the notes to the consolidated balance sheet, consolidated profit and loss account and consolidated financing calculation as well as on the balance-sheet breakdown and the breakdown of the notes to the accounts.

Section 4
Authority to issue regulations of the Financial Supervisory Authority

The Financial Supervisory Authority may issue further regulations on the drawing up of the annual accounts of an investment firm. The regulations may restrict the entering of interest and leasing income as income for the financial period, when they are based on claims or financial leasing contracts whose matured interest, amortisations or lease payments have, at the time of the closing of the books, remained unpaid for a period of time longer than the period referred to in the regulation of the Financial Supervisory Authority or which, due to the insolvency of the debtor, are

likely to remain unpaid. Prior to issuing the regulation, the Financial Supervisory Authority shall request an opinion on it from the Ministry of Finance and the Accounting Board.

Chapter 9
Depositing and other handling of client assets

Section 1 (1069/2017)
Depositing of client assets

An investment firm shall arrange the depositing and handling of the financial instruments and monetary assets (client assets) of a client entrusted to it in a reliable manner.

In depositing and handling of the client assets, the investment firm shall especially ensure that the assets of the investment firm are kept clearly distinguished from client assets and, with the exception of credit institutions, prevent the use of client assets on own account of the investment firm.

The investment firm shall keep reliable records of client assets so that the client assets of each client are adequately distinguished from the assets of other clients.

Section 2 (1069/2017)
Depositing client financial instruments with a third party custodian

An investment firm which deposits client financial instruments with a third-party custodian shall comply with due diligence in choosing the custodian. The investment firm shall, on a regular basis, assess the fulfilment of the obligations relating to the custody of client financial instruments. A third-party custodian means an organisation in a contractual relationship with the investment firm that deposits the financial instruments of a client of the investment firm on own account of the investment firm.

The investment firm shall deposit the client financial instruments with a third-party custodian supervised by the Financial Supervisory Authority, a foreign EEA supervisory authority or a third-country supervisory authority. The obligation may be waived only when the nature of the financial instrument or of the service related thereto requires depositing in a third country where the

depositing of a financial instrument is not governed by law or if a professional client explicitly requests it in writing.

The investment firm shall sufficiently ensure that a client's financial instruments deposited with a third-party custodian are held separately from financial instruments owned by the investment firm and custodian.

Section 3 (1069/2017)
Investment of client monetary assets

An investment firm shall place the monetary assets of a client, without delay, on an account in a central bank, a deposit bank or in a credit institution entitled to receive deposits and authorised in another State. The monetary assets of a client may, with the express consent of the client, be invested in units of a money market fund, registered in an EEA Member State, which meets the preconditions of the UCITS Directive or the Directive on Alternative Investment Fund Managers or is otherwise subject to supervision and fulfils the requirements of Article 2 of Regulation (EU) No 1071/2013 of the European Central Bank concerning the balance sheet of the monetary financial institutions sector.

If the client monetary assets are invested in another manner than on an account in a central bank, the investment firm shall especially consider the need to diversify the client assets and comply with due diligence in choosing the deposit bank, foreign credit institution or money-market fund that will keep the monetary assets in custody and assess, on a regular basis, compliance with the requirements relating to the depositing of client monetary assets.

If an investment firm deposits monetary assets in an organisation belonging to the same group, the amount of the assets deposited may not exceed 20 per cent of all such monetary assets. The requirement may, however, be derogated from if it is well founded, taking into consideration the security of the third party referred to in subsection 1 above as well as the nature, quality and scale of the activities of the investment firm and especially the small amount of the client monetary assets. The investment firm shall, on a regular basis, assess the fulfilment of the grounds for derogating from the diversification requirement and present the Financial Supervisory Authority with the grounds for its assessment.

Notwithstanding the provisions of subsection 3, an investment service provider that is a deposit bank may, however, deposit the client monetary assets on an account of the same deposit bank.

Section 4 (1069/2017)
Right to dispose of client financial instruments or rights in respect of client assets

An investment firm may not, without a prior express consent of the client, pledge, convey or otherwise legally dispose of a financial instrument of the client on its own account or on the account of another client or on account of a third party. The consent shall include the terms relating to the pledge, conveyance or other legal disposal of financial instruments. The consent shall be given in writing or in another corresponding manner referred to in chapter 10, section 3.

If the financial instruments of the client are held in a securities account referred to in section 2, subsection 1, paragraph 3 of the Act on Securities Accounts or in a custodial nominee account referred to in section 5 a of the Act on Book-Entry Accounts, the investment firm may undertake the measure referred to in subsection 1 only if:

1) each client whose financial instruments are held together in an omnibus account has given the consent referred to in subsection 1; or if

2) the investment firm has in place systems and supervisory methods which ensure that the measure is directed only at the financial instruments of a client who has given the consent thereto referred to in subsection 1.

Any collateral, pledge or set-off rights in respect of client assets that give a third party the right to dispose of client assets and are not connected to a client or the investment services provided to the client are allowed only if they are provided in the laws of the third country where the client assets are deposited.

An investment firm may, notwithstanding the provisions of subsections 1 and 2, convey a financial instrument of a client as pledge to a securities depositary or a clearing party referred to in the Act on the Book-Entry System and Settlement Activities as collateral for satisfying an obligation arising from a transaction in respect of the financial instrument.

The right of an investment firm to pledge, convey or otherwise legally dispose of the financial instruments of a client shall be governed by the provisions of the Act on Financial Collateral (11/2004).

Section 4a (1069/2017)
Title transfer financial collateral arrangements

An investment firm shall ensure that title transfer financial collateral arrangements are used only in situations where their use is well-founded or where no other collateral provided by the client is suitable for the purpose of securing an obligation in respect of the investment firm. The amount of the client assets to be transferred may not be unrestricted or considerably larger than the obligation of the client to the investment firm.

An investment firm shall explain to professional clients and eligible counterparties the risks relating to title transfer arrangements as well as their impact on client protection.

The investment firm may conclude title transfer arrangements only with professional clients and eligible counterparts. (294/2019)

Section 5 (1069/2017)
Financial Supervisory Authority's power to issue provisions

The Financial Supervisory Authority shall issue further regulations required for the implementation of the Commission Delegated Directive on the procedure to be complied with in the depositing and other handling of client assets provided in sections 1–4, 4a, 10 and 11. The Financial Supervisory Authority may also issue more detailed regulations on the contents of the client assets referred to in section 1.

Section 6 (1069/2017)
Statement of an auditor

The auditor of an investment firm shall submit to the Financial Supervisory Authority at least once a year a report of the auditor on whether the arrangements relating to the depositing and handling

of the client assets of the investment firm correspond to the provisions of this chapter and the regulations issued thereunder.

Section 7
Application of certain other acts

An investment firm which acts as a custodian referred to in the Act on the Book-Entry System and Settlement Activities shall also be governed by the provisions of the said Act and the Act on Book-Entry Accounts. An investment firm which acts as a custodian referred to in the Act on Securities Accounts shall also be governed by the provisions of the said Act.

Section 8
Appointing an attorney

When an investment firm which holds client assets has been placed in liquidation or bankruptcy, the Financial Supervisory Authority shall, without delay, appoint an attorney referred to in section 29 of the Act on the Financial Supervisory Authority to supervise the swift return of client assets to the clients of the investment firm unless the appointment of an attorney is manifestly unnecessary taking into account the nature and scope of the activities of the investment firm. In addition, the Financial Supervisory Authority shall appoint an attorney if the investment firm has otherwise become insolvent and the insolvency is not to be deemed temporary in accordance with the estimate of the Financial Supervisory Authority unless the appointment of an attorney is manifestly unnecessary taking into account the nature and scope of the activities of the investment firm.

The liquidator of an investment firm subject to liquidation and the estate administrator of an investment firm that is declared bankrupt shall have the right, on request of the attorney or with the attorney's consent, to enter into and terminate contracts as well as take out loans to promote the swift return of client assets.

Section 9 was repealed by Act 1069/2017.

Section 10 (1069/2017)
Disclosure obligation of an investment firm relating to the depositing and other handling of client assets

On request of the Financial Supervisory Authority or another competent authority, an administrator of a bankruptcy estate, an administrator of company reorganisation, an execution authority and the Financial Stability Authority, an investment firm shall submit the following information on:

1) the client assets deposited on behalf of the client;

2) the external custodian of the client assets, the accounts used and the agreements concluded for the depositing;

3) the place of custody of financial instruments, the accounts opened to the external custodian and the agreements concluded with the external custodian;

4) the outsourced services as well as the provider of the outsourced service;

5) the persons responsible for the depositing and other handling of client assets; and

6) the agreements with which title or other comparable right to the client assets can be determined.

Section 11 (1069/2017)
Corporate governance relating to the depositing of client assets

An investment firm shall appoint a person with sufficient skills and powers to enforce compliance with the obligations relating to the depositing of client assets.

Chapter 9a (513/2019)
Transmission of shareholder identification data and facilitation of the exercise of shareholder rights

Section 1 (513/2019)
Scope of application

The provisions of this chapter shall apply to an investment firm providing safekeeping as an ancillary service, if:

1) the corporate domicile of the issuer is in Finland or in the European Economic Area; and

2) the share of the issuer is an object of trade in a regulated market.

Section 2 (513/2019)
Identification data of shareholders

An investment firm which deposits shares on behalf of their owner shall provide the issuer referred to in section 1 above, hereinafter the firm, with the identification data of the shareholders at its request without delay and notwithstanding any non-disclosure provisions. This data shall also be provided on request to a third party named by the firm.

Identification data referred to in subsection 1 above are the shareholder's name, personal identity code or another identification code, contact data and the number of shares owned, separated by type on request. If the investment firm knows the acquisition date of the shares, this shall also be provided on request. A shareholder who is a legal person shall have the right to demand the correction of inadequate or incorrect information.

If an investment firm deposits shares on behalf of another investment firm or other depository, it shall submit a request for information without delay to the firm or depository on behalf of which it deposits the shares. The investment firm shall also provide the requesting firm with the information on the other investment firm or depositary without delay.

The investment firm shall not use the information collected or submitted in accordance with this section for any other purpose but the provision of the identification data of the shareholder. The investment firm may retain the identification data of the shareholder for a maximum of 12 months.

Section 3 (513/2019)
Facilitation of the exercise of shareholder rights

An investment firm shall make the necessary arrangements to enable shareholders to exercise their rights in the firm

The investment firm shall provide without delay the shareholder or a third party named by the shareholder with the information in a standard format which is necessary for the exercise of shareholder rights, unless the firm directly provides the shareholder or a third party named by the shareholder with this information. If the information is available on the website of the firm, the investment firm shall provide the shareholder with a notification about how to find the information.

The investment firm shall provide the firm without delay and in accordance with the shareholder's instructions with the information received from the shareholder which is necessary for the exercise of shareholder rights.

If the information referred to in subsections 2 or 3 above cannot be submitted directly to the firm or shareholder or a third party named by the shareholder, the information shall be passed on to the investment firm or other depository next in the chain of custody.

The provisions of subsections 2 and 4 shall apply to the confirmation referred to in chapter 5, section 23a of the Limited Liability Companies Act submitted to the investment firm.

Section 4 (513/2019)
Costs

The investment firm shall publish on its website a price list itemised by service for the collection of shareholder identification data referred to in section 2 above and for the facilitation of the exercise of shareholder rights referred to in section 3 above.

The fees charged by the investment firm shall be non-discriminatory, reasonable and proportionate in relation to the actual costs incurred by the collection of the data.

PART III
PROCEDURES AND THE COMPENSATION FUND

Chapter 10 (1069/2017)
Procedures in a client relationship

Section 1 (1069/2017)
Categorisation of a client and agreement on the client's position

The investment firm shall have internal rules for the classification of clients and the procedure to be complied with therein.

An investment firm may treat a professional client referred to in chapter 1, section 23, subsection 1, paragraphs 1-5 as a retail client on their own initiative or at the request of the client. A written contract shall be drafted of the treatment of the client as a retail client. If the contract is applied to one or more services or transactions or to one or more different types of financial instruments or transactions, this shall be defined in the contract.

The investment firm shall inform its client referred to in chapter 1, section 23, subsection 1, paragraph 2 prior to the provision of investment services that, on the basis of the information available, the client shall be treated as a professional client unless otherwise agreed upon with the client.

A client who wishes to be treated as a professional client referred to in chapter 1, section 23, subsection 1, paragraph 6 in general or with regard to a certain investment service or transaction or type of a transaction or financial instrument shall request this from the investment firm in writing. If the client meets the requirements provided for in subsection 2, the investment firm shall, in writing, inform the client that, as a professional client, it shall not belong within the sphere of protection offered by the conduct of business rules referred to in this Act and the investor compensation fund cover. The client shall correspondingly inform the investment firm in writing

that they are aware of loss of the protection of the conduct of business rules and compensation fund cover.

The issuer of a security and another offeror of a security shall, with the consent of the client, have the right to receive from the investment firm information on the categorisation of the client with regard to the security in question.

Section 2 (1069/2017)
General principles to be complied with in the provision and marketing of investment services and ancillary services

The provision of investment services and ancillary services shall be carried out honestly, fairly and professionally in accordance with the best interests of the client.

An investment service and an ancillary service may not be marketed by issuing untruthful or misleading information. All information, including marketing communications, shall be fair and clear. Information, the misleading or untruthful nature of which is revealed following the presentation of the information and which may be of material significance to the investor, shall, without delay, be corrected or supplemented in an adequate manner. The marketing shall reveal its commercial purpose.

Marketing relating to the investor compensation fund cover shall be governed by chapter 11, section 25.

Section 3 (1069/2017)
Contract on investment service

With the exception of one-time services relating to investment advice where the client is not offered suitability assessment on a regular basis, a contract shall be concluded in writing on the investment services provided by the investment firm indicating the rights and obligations of the parties as well as other terms of the contract.

The contract cannot include clauses that are contrary to good practice or unreasonable from point of view of the client.

Section 4 (1069/2017)
Assessment of suitability and appropriateness

An investment firm that provides investment advice or asset management as investment services shall obtain, before providing the investment service, sufficient information regarding the client's knowledge and experience of the product or service provided as well as on the financial situation of the client, including the client's ability to bear losses, on the client's investment objectives, including the client's risk tolerance so that the investment firm may recommend to the client investment services and financial instruments that are suitable to the client and, in particular, are in accordance with the client's risk tolerance and ability to bear losses. When an investment firm provides investment advice recommending a package of services or products, the suitability of the overall product or service package shall be assessed.

An investment firm that provides investment advice or asset management involving the sale of a financial instrument and the purchase of another financial instrument or the use of a right that alters an existing financial instrument shall obtain sufficient information regarding the client's investment and shall analyse the costs and benefits of exchanging the financial instrument. An investment firm that provides investment advice must notify the client of whether the benefits of exchanging the financial instrument are greater than the costs of exchanging it. (939/2021)

If an investment firm provides investment services other than investment advice and asset management, it shall, before providing the investment service, ask the client to provide information regarding the client's experience and knowledge of said financial instrument or investment service so as to assess whether the financial instrument or investment service envisaged is appropriate for the client. When a package of services or products is envisaged, the overall appropriateness of the package shall be assessed. If the investment firm considers, on the basis of the information received from the client, that the product or service is not appropriate for the client, the investment firm shall warn the client. If the client does not provide adequate information or refuses to give the requested information, the investment firm shall warn the client that it cannot assess the appropriateness of a financial instrument or service for the client. The warning may be provided in a standardised format.

The provisions of subsection 3 shall not apply to the execution or reception and transmission of orders with or without ancillary services at the initiative of a client, with the exception of the granting of credits or loans referred to in chapter 2, section 3, subsection 1, paragraph 1 that do not comprise of existing credit limits of loans, current accounts and overdraft facilities of clients if the client has been clearly informed that in the provision of said service the investment firm is not liable to assess the appropriateness of the service or financial instrument for the client and the client does not, in this case, benefit from the conduct of business rules governing said investment service and the services relate to: (939/2021)

1) shares admitted to trading on a regulated market or on an equivalent third-country market or on an MTF, excluding the alternative investment funds referred to in the Act on Alternative Investment Fund Managers and shares that embed a derivative;

2) bonds or other corresponding debts admitted to trading on a regulated market or on an equivalent third-country market or on an MTF, excluding those that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved;

3) money-market instruments, except if they embed a derivative or if it is difficult for the client to understand them taking into account the risks incorporated in their structure;

4) units in UCITS in accordance with the UCITS Directive, excluding the structured UCITS as referred to in Article 36, paragraph 1, subparagraph 2 of Commission Regulation (EU) No 583/2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website;

5) structured deposits, except if it is difficult for the client to understand the risk of return or the cost of exiting the product before term;

6) other non-complex financial instruments.

The investment firm shall also in situations referred to in subsection 4 fulfil its obligations relating to the conflicts of interest referred to in chapter 7, section 9. (939/2021)

Section 4a (248/2021)
Provision to non-professional clients of the eligible liabilities referred to in the EU Capital Requirements Regulation

Where a non-professional client is provided the kinds of eligible liabilities referred to in Article 72a of the EU Capital Requirements Regulation and meeting the requirements of that Article, except for point 1, sub-point b and Article 72b points 3–5, such liabilities shall have a nominal value of at least EUR 50,000.

Section 5 (1069/2017)
Disclosure obligation of an investment firm

The investment firm shall provide adequate information to its clients of the investment firm in good time prior to the provision of the service with regard to the investment firm and its services, the financial instruments and proposed investment strategies, execution venues and all costs and related charges. This information shall include the following:

1) when investment advice is provided, the client shall be notified in good time before its provision:

a) whether or not the advice is independent in nature;

b) whether the advice is based on a broad or on a more restricted analysis of different types of financial instruments and, in particular, whether the range is limited to financial instruments issued or provided by entities having close links with the investment firm or any other legal or economic relationships, such as contractual relationships, so close that they may pose a risk of impairing the independent basis of the advice provided;

c) whether the investment firm will provide the client, on a regular basis, with an assessment of the suitability of the financial instruments recommended to the client;

2) the information on financial instruments and proposed investment strategies must include appropriate guidance on and warnings of the risks associated with investments in said instruments

and in respect of particular investment strategies and whether the financial instrument is intended for retail or professional clients, taking into account the client target group; and

3) the information on all costs and charges must include information relating to both investment and ancillary services, including the cost of advice, the cost of the financial instrument recommended or marketed to the client and how the client may pay for it as well as also information on any third-party payments.

Where the order to buy or sell a financial instrument is concluded using a means of distance communication which prevents the prior delivery of the information on costs and charges, the investment firm may provide the information on costs and charges either in electronic format or on paper, where requested by a retail client, without undue delay after the conclusion of the transaction, provided that both of the following conditions are met:

1) the client has consented to receiving the information without undue delay after the conclusion of the transaction; and

2) the investment firm has given the client the option of delaying the conclusion of the transaction until the client has received the information.

(939/2021)

The investment firm shall give the client the option of receiving the information on costs and charges over the phone prior to the conclusion of the transaction. (939/2021)

The information on all costs and charges, including costs and charges in connection with the investment service and the financial instrument, which are not caused by the occurrence of underlying market risk, shall be compiled so as to allow the client to understand the overall costs and the cumulative effect on return of the investment, and on request of the client, an itemized breakdown shall be provided. The information shall be provided to the client on a regular basis, at least annually, during the life of the investment.

The information shall be provided so that the nature and the risks of the investment service and of the specific type of financial instrument offered are easily understandable and the client can thus make investment decisions on an informed basis.

If an investment service is offered as part of a financial product, which is already subject to other provisions on disclosure obligation relating to credit institutions and consumer credits, the obligations set in this section above shall not be applied.

If an investment service is offered together with another service or product as part of a package or as a condition for the same agreement or package, the investment firm shall inform the client whether it is possible to buy the different services or products separately and provide clarification of the costs and charges of each service or product. Where the risks resulting from such an agreement or package offered to a retail client are likely to be different from the risks associated with the services or products taken separately, the investment firm shall provide an adequate description of the services or products included in the agreement or package and the way in which their interaction modifies the risks.

Section 5a (382/2021)
Sustainability-related disclosures

Sustainability-related disclosures are governed by Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector, hereinafter the EU Disclosure Regulation, and by Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

The Disclosure Regulation is also applied to investment firms providing investment advice and having fewer than three employees.

Section 5b (939/2021)
Provision of data to clients

Investment firms shall provide all information required to be provided by this Act to clients or potential clients in electronic format.

Investment firms shall inform retail clients that they have the option of receiving the information in electronic format or on paper. Where requested by a retail client, investment firms shall provide the information on paper free of charge.

Section 6 (1069/2017)
Incentives

An investment firm may not pay any party other than a client or a person acting on behalf of a client or receive from such party fees or commissions or provide or accept non-monetary benefits in connection with the provision of an investment service or an ancillary service, except where the payment or benefit is designed to enhance the quality of the service provided to the client and does not impair compliance with the obligation of the investment firm to act honestly, fairly and professionally in accordance with the best interest of its client.

The fee, commission or non-monetary benefit referred to in subsection 1 above is designed to enhance the quality of the service provided to the client if it can be justified by the provision of such additional service or high-quality service to said client which is in the right proportion to the incentives accepted and which does not directly benefit the accepting undertaking, its shareholders or employees without a material benefit to said client and can be justified by providing said client with an ongoing benefit relating to the ongoing incentive.

The existence, nature and amount of the payment or benefit referred to in subsection 1, or, where the amount cannot be ascertained, the method for calculating the amount must be clearly disclosed to the client in a comprehensive, accurate and understandable manner before providing an investment or ancillary service. If only the method of calculating the amount of the payment or benefit has been disclosed to the client in advance, the investment firm shall inform the client subsequently of the exact amount of the accepted or paid payment or benefit. The investment firm shall also, at least annually, inform the client of the actual amount of the accepted or paid payments or benefits. The client shall also be informed of the mechanism for transferring to the client the fee, commission or the monetary or non-monetary benefit accepted in connection with the provision of the investment or ancillary service.

The provisions of subsection 1 above shall not be applied to a payment or benefit which enables or is necessary for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which by its nature does not impair compliance with the obligation of the investment firm to act honestly, fairly and professionally in the best interest of its client.

When providing investment advice on an independent basis, the investment firm shall assess a sufficient range of different financial instruments available on the market, which shall represent a sufficiently wide range of different types and issuers or product providers to ensure that the investment targets of the client can be appropriately attained. The assessment may not be limited to financial instruments issued or provided by the investment firm itself or by entities with close links with the investment firm or by other entities with other legal or economic relationships, such as a contractual relationship, with the investment firm that are so close as to risk the independent basis of the advice provided.

When providing asset management or investment advice on an independent basis, the investment firm may not accept and retain fees, commissions or other monetary or non-monetary benefits which third parties or persons acting on behalf of third parties pay or provide and which are connected to the provision of said service to clients. The fee, commission or other monetary benefit must be returned in full to the client without undue delay. The investment firm shall inform the client of the mechanism for transferring to the client the accepted fee, commission or monetary benefit. The client shall be informed of the transferred returned payment. (294/2019)

Notwithstanding the provisions of subsection 6 above, the client shall, prior to the provision of services, be clearly informed of minor non-monetary benefits that are capable of enhancing the quality of the asset management or investment advice service provided to the client and that, with regard to their scale and nature, cannot be deemed to impair compliance with the obligation of the investment firm to act in the best interest of its client, and they shall not be deemed incentives referred to herein.

An investment firm shall ensure that it does not remunerate or assess its personnel in a way that conflicts with its duty to act in the best interests of its clients when providing investment services. The investment firm may not have remuneration, sales targets or other corresponding arrangements which provide an incentive to its personnel to recommend a particular financial

instrument to a retail client if the investment firm could offer another financial instrument which would better meet the needs of the client.

Investment firms providing asset management or other investment or ancillary services to clients and receiving research from third parties are regarded as fulfilling the obligations under paragraph 1 if:

1) before the execution or research services have been provided, the investment firm has entered into an agreement with the research provider identifying the part of any combined charges or joint payments for execution services and research that is attributable to research;

2) the investment firm has informed its clients about the joint payments for execution services and research made to the third party providers of research;

3) the research for which the combined charges or the joint payment is made concerns issuers whose market capitalisation for the period of 36 months preceding the provision of the research did not exceed EUR 1 billion, as expressed by end-year quotes, or by the own-capital for the financial years when they were not listed.

(939/2021)

For the purpose of subsection 9, research is considered to be research material or services concerning one or several financial instruments or other assets, or the issuers or potential issuers of financial instruments, or as being closely related to a specific industry or market such that it informs views on financial instruments, assets or issuers within that industry or market. Research is also considered to be material or services that explicitly or implicitly recommend or suggest an investment strategy and provide a substantiated opinion as to the present or future value or price of financial instruments or assets, or otherwise contain analysis and original insights and reach conclusions based on new or existing information that could be used to inform an investment strategy and be relevant and capable of adding value to the investment firm’s decisions on behalf of clients being charged for that research. (939/2021)

Section 7 (1069/2017)
Reports to clients

An investment firm shall provide the client with adequate reports on the service provided in a durable medium. The reports shall include periodic communications to clients, taking into account the type and complexity of the financial instruments involved and the nature of the service provided to the client. Where applicable, the reports shall include the costs associated with the transactions and services undertaken on behalf of the client.

When providing investment advice, the investment firm shall, before concluding the transaction, provide the client with a statement on the suitability in a durable medium specifying the advice given and how the advice meets the needs, objectives and other characteristics of the retail client.

Where the order to buy or sell is made using a means of distance communication which prevents the prior delivery of the suitability statement, the investment firm may provide the written statement on suitability in a durable medium immediately after said client is bound by the agreement, provided that the following conditions are met:

1) the client has consented to receiving the suitability statement without undue delay after the conclusion of the transaction; and

2) the investment firm has given the client the option to delay the transaction in order to receive the suitability statement in advance.

Where an investment firm provides asset management or has agreed with the client on a periodic assessment of suitability, the periodic report shall include an updated statement of how the investment meets the needs, objectives and other characteristics of the retail client.

The disclosure obligation relating to the cover offered by the investor compensation fund is provided in chapter 11, sections 12 and 23.

Section 8 (1069/2017)
Careful execution of orders

An investment firm which provides execution of orders as an investment service, shall take sufficient steps to obtain the best possible result for the client taking into account the relevant considerations to the execution of the order, such as price, costs, speed, likelihood of execution and settlement, size and nature. If the client has issued specific instructions for the execution of the order, the investment firm shall follow them. For a retail client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs relating to execution, which shall include all expenses incurred by the client which are directly relating to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. The investment firm shall compare the possible execution venues in order to achieve the most favourable result for the client. The own commissions and costs of the investment firm shall be taken into account in the assessment.

An investment firm may not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or incentives provided in this Act.

An investment firm shall establish and implement an order execution policy for obtaining the best possible result for the execution of its client orders in accordance with subsection 1. The execution policy shall include, in respect of each class of financial instruments, information on the different venues where the investment firm executes its client orders and the factors affecting the choice of the execution venue. It shall at least include the venues that enable the investment firm to obtain, on a consistent basis, the best possible result for the execution of client orders.

Before providing investment services, the investment firm shall provide information, in sufficient detail, clearly and in a way that can be easily understood by clients, on its order execution policy. The investment firm shall inform its clients of any relevant changes in its execution policy. The investment firm shall obtain the prior consent of its clients for its order execution policy.

If the execution policy provides that an order can be executed outside a trading venue, the investment firm shall inform its clients about this possibility. The investment firm shall obtain the

express consent of the client either in the form of a general agreement or in respect of each individual transaction.

Investment firms who execute client orders shall summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes in the preceding year and information on the quality of execution obtained.

An investment firm shall monitor the effectiveness of its order execution arrangements and execution policy in order to identify and, where necessary, correct any deficiencies. The investment firms shall assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the client taking into account the information published and referred to in subsections 3 and 6. The investment firms shall notify clients with whom they have an ongoing client relationship of any material changes to their order execution arrangements or execution policy.

The investment firm shall, on request, be able to demonstrate to its clients and the competent authority that it has executed the client orders in accordance with the execution policy.

Section 9 (1069/2017)
Handling of orders

An investment firm which provides execution of orders as an investment service shall execute the client orders without undue delay. An investment firm may not let the interests of another client or their own interests influence the execution of the client order.

An investment firm shall execute comparable client orders sequentially and in a prompt, fair and expeditious manner.

The obligation of the investment firm to publish a limit order issued by the client shall be governed by the provisions of chapter 7, section 4 of the Act on Trading in Financial Instruments.

Section 10 (1069/2017)
Receipt of a client order from another investment firm

An investment firm which receives a client order relating to an investment service or an ancillary service from another investment firm may rely on the client information transmitted by the investment firm acting as a medium. The investment firm which mediates the instructions will remain responsible for the completeness and accuracy of the information transmitted.

The investment firm may also rely on any recommendations in respect of a service or transaction which another investment firm has provided to the client. The investment firm which has mediated the order shall remain responsible for the suitability of the recommendations and advice it has provided to the client.

The investment firm which receives orders or client instructions from another investment firm shall remain responsible for executing the order in accordance with the provisions of this chapter.

Section 11 (1069/2017)
Records to be retained of transactions and services

An investment firm shall retain all records of orders relating to financial instruments issued by a client, transactions in financial instruments performed on its own behalf or on behalf of a client as well as of other services provided to the client for a period of five years and, at the request of the Financial Supervisory Authority, for a period of up to seven years.

Section 12 (1069/2017)
Recording of telephone conversations and electronic messages

An investment firm shall keep recordings of such telephone conversations and electronic messages relating to transactions concluded when dealing on own account or in the provision of services that relate to the reception, transmission and execution of client orders. The obligation to record and keep shall also apply to telephone conversations and electronic messages that are intended to result in said transactions.

The investment firm shall take all reasonable steps to record the telephone conversations and the electronic messages referred to in subsection 1, made with, sent from and received by equipment provided by the investment firm to an employee or a tied agent or the use of which by the employee or tied agent has been accepted or permitted by the investment firm. The investment firm shall take all reasonable steps to prevent an employee or a tied agent from using privately-owned equipment for telephone conversations or electronic communications if the investment firm is unable to record or copy them.

An investment firm shall notify new and existing clients that telephone communications or conversations between the investment firm and its clients that may result in transactions will be recorded. Such a notification may be made once before the provisions of investment services to a client. The investment firm may not provide, by telephone, investment services or perform investment activity if the client has not been notified in advance about the recording of said telephone communications or conversations and where the investment services and investment activity relate to the reception, transmission and execution of client orders.

Clients may place orders through other channels than those referred to in subsection 1 so that they are delivered to the investment firm in writing or in another durable medium. The content of the face-to-face conversations with a client shall be recorded in writing sufficiently accurately and comprehensively or otherwise recorded. Such orders shall be considered equivalent to orders received by telephone.

The telephone and message records shall be provided to the client on request. The records shall be kept for a period of five years and, on request of the Financial Supervisory Authority, for a period of up to seven years.

Section 12a (939/2021)
Transactions with professional clients

Investment firms that provide services other than investment advice and portfolio management to professional clients are not required to comply with the obligations laid down in section 5, subsection 1, paragraph 3 in transactions with professional clients.

Investment firms that provide services to professional clients are not required to comply with the obligations laid down in section 4, subsection 2 or section 7, unless a professional client informs the investment firm either in electronic format or on paper that they wish for the said obligations to be complied with.

Investment firms shall keep a record of the client communications referred to in subsection 2.

Section 13 (1069/2017)
Transactions with an eligible counterparty

An investment firm, which provides receipt, transmission or execution of orders as investment services or deals on its own account, is not obliged to comply with the obligations referred to in sections 1–4, 4a, 5, 5a and 6–9 in respect of a transaction with an eligible counterparty or an ancillary service relating thereto. In its relationship with an eligible counterparty, the investment firm shall act honestly, fairly and professionally. The mutual communications shall be fair and clear and not misleading, taking into account the nature of the eligible counterparty and its business. (939/2021)

A client which is an eligible counterparty referred to in chapter 1, section 24, paragraph 1 shall have the right to request that the provisions referred to in subsection 1 of this section be applied to the transactions executed with it either on a general form or on a trade-by-trade basis. The investment firm shall request the express confirmation from the prospective counterparty referred to in chapter 1, section 24, paragraph 2 that it agrees to be treated as an eligible counterparty.

Chapter 14
(1069/2017)
Transactions on a regulated market and on an MTF

The transactions between the trading parties of a regulated market referred to in the Act on Trading in Financial Instruments shall not be governed by the provisions of sections 1-9 when the transaction is executed on a regulated market. The trading parties of a regulated market shall, however, fulfil the obligations referred to above with respect to their clients when they execute orders on behalf of their clients on a regulated market.

The provisions of subsection 1 shall also apply to transactions between the trading parties of an MTF referred to in the Act on Trading in Financial Instruments as well as between the organiser of trading and the trading parties when the transaction is executed on an MTF.

Section 15 (1069/2017)
Settlement of clients' complaints

The investment firms shall ensure that their retail customers can bring any individual disputes relating to the application of this Act to be resolved by an independent body which issues recommendations for settlement. The rules of the body shall ensure an impartial, expertise-based, transparent, efficient and fair handling.

The investment firm shall notify to the Financial Supervisory Authority the name and contact information of the body referred to in subsection 1. The Financial Supervisory Authority shall notify to the European Securities Markets Authority the name and contact information of the body referred to in subsection 1.

The Financial Supervisory Authority shall notify to the European Securities and Markets Authority the name and contact information of the body referred to in subsection 1.

Section 16 (1069/2017)
Financial Supervisory Authority's power to issue provisions

The Financial Supervisory Authority shall issue further regulations required by the implementation of the Commission Delegated Directive regarding:

1) the preconditions provided in section 6, subsections 1 and 2 for that the payment or benefit referred to in the provision is intended to enhance the quality of the service provided to the client and is in the best interest of the client;

2) the preconditions provided in section 6, subsections 3 and 6 for the information to be given to the client on accepted or paid payments or benefits as well as on their return to the client;

3) the minor non-monetary benefits referred to in section 6, subsection 7;

4) the incentives provided in section 6 relating to investment research.

Chapter 11
The Investor Compensation Fund

Section 1
Membership of the compensation fund

In order to safeguard the monetary assets and financial instruments, hereinafter claims, of investors, the investment firm shall belong to a compensation fund. The membership requirement shall not apply to an investment firm which provides as an investment service solely the transmission of orders or investment advice or the operation of multilateral trading and which does not hold or manage client assets.

The obligation provided in subsection 1 shall be fulfilled with regard to structured deposits, if the credit institution that has issued the structured deposit is a member of an institutional protection scheme in accordance with Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes. (1069/2017)

An investment firm shall become a member of the compensation fund on the day on which it is granted the authorisation of an investment firm.

Section 2
Rules of the compensation fund

The compensation fund shall have rules that safeguard the operations of the fund and attendance to its statutory duties. The rules and their amendments shall be confirmed by the Ministry of Finance, which shall, prior to their confirmation, request an opinion thereon of the Financial Supervisory Authority and the Bank of Finland.

The rules shall contain orders supplementing the provisions of this Act and elsewhere in the law at least on:

1) the procedure for the approval of an investment firm as a member of the compensation fund as well as on the procedure for its exclusion or withdrawal from the compensation fund;

2) the manner and grounds for determining the contribution payment of the compensation fund as well as the manner of dividing it and the administrative charges between the members of the compensation fund, the responsibility of a former member of the fund for the costs incurred by the fund for a case of compensation before the termination of membership and on the manner of increasing the minimum capital of the compensation fund during the transition period and after a compensation event;

3) the time and manner for payment of the contribution payment and administrative charges;

4) the time, terms and manner for the compensation fund to take out a loan for its operations, the manner of raising the contribution payments in that situation as well as on the manner of distributing liability for repayment of the loan between the members of the contribution fund;

5) whether and to what extent the capital of the fund may be covered by insurance or by binding credit commitments of a credit institution not belonging to the fund or to the same group or investment firm consolidation group or consolidation group under the Act on Credit Institutions as a member of the fund; (523/2021)

6) the number of members of the Board to be elected for the compensation fund, the manner of their election, the term, decision-making order, quorum and duties of the Board of Directors as well as the manner of the convocation of the board of directors;

7) the manner of the election of the delegation of the compensation fund and the decision-making order, quorum and duties of the delegation a well as the manner and times of the convocation of the delegation;

8) whether the Board of Directors of the compensation fund may delegate its decision-making power to the Managing Director or a representative and if so, how, as well as the division of powers between the board of directors and the managing director or representative;

9) the financial period of the compensation fund, the time for the preparation of the annual accounts as well as the time and manner of the auditing of the accounts and administration of the compensation fund;

10) the number of certified auditors or audit organisations to be elected for the compensation fund, the manner of their election and the term of the auditors;

11) the manner and targets for the investment of the assets of the compensation fund;

12) the manner of the amendment of the rules.

In addition to the provisions of subsection 2, the rules shall contain provisions on the joining in the compensation fund, dismissal and resignation from the compensation fund, the basis for the admission fee of the compensation fund and the basis for the compensation liability of the compensation fund of a Finnish branch of a foreign investment firm and management company as well as of a Finnish branch of an AIFM and of a Finnish branch of a foreign credit institution. (166/2014)

Section 3
Management of the compensation fund

A compensation fund shall be administered by a delegation elected by the member investment firms and a Board of Directors elected by the delegation. The duties of the Board of Directors of the compensation fund shall be to:

1) give the Financial Supervisory Authority an opinion on the application for authorisation of an investment firm;

2) decide on the issuing of a reprimand to an investment firm and its dismissal from the compensation fund;

3) decide on the amount of contribution payments of the investment firms and to attend to their collection;

4) decide on the payment of compensations to investors when an investment firm has been declared insolvent;

5) administer the assets of the compensation fund as well as to invest them in the manner provided for in this Act and the rules of the compensation fund;

6) supervise that the investment firms meet the obligations incumbent on them as members of the compensation fund;

7) collect from the investment firms the costs arising from the administration of the compensation fund;

8) attend to the disclosure of information of the compensation fund;

9) notify the Financial Supervisory Authority of its decision on the determination of the amount of contributions;

10) inform the Financial Supervisory Authority, without delay, of any procedure contrary to the provisions and regulations on the operations of the compensation fund;

11) make all other decisions necessary for the management of the compensation fund unless provided for or under this Act ordered to be attended to in another manner.

The accounting and annual accounts of the compensation fund shall be governed by the provisions of the Accounting Act.

In addition to the provisions of this chapter, the administration of the compensation fund shall be governed by the Act on Associations (503/1989).

Section 4
Contribution payment of the compensation fund

The total minimum amount of contribution payments payable to the fund annually shall, upon the proposal of the compensation fund, be determined by the Ministry of Finance, which shall, prior to

the decision, request an opinion thereon of the Financial Supervisory Authority and the Bank of Finland. The compensation fund shall annually notify the Ministry of Finance of the number of investors of each member of the fund subject to the cover of the fund.

An investment firm shall annually pay a contribution payment determined by the Board of Directors of the compensation fund and sufficient to protect the claims of investors. The contribution payment shall be based on the nature of the investment service provided by the investment firm and covered by the investor-compensation scheme, the number of customers covered as well as the amount of the consolidated own funds of the investment firm. The grounds for the determination of the contribution payment laid down in the rules of the compensation fund shall be equal to all investment firms providing the same investment service. The investment firms shall, on request, submit to the compensation fund the individualized information necessary for the determination of the contribution payment.

Credit institutions belonging to a consortium of deposit banks shall be deemed as one credit institution when calculating the contribution payment. The contribution payment of the consortium shall be paid to the compensation fund by the central organisation of the consortium. The contribution payment paid by the central organisation shall be divided between its member credit institutions in accordance with subsection 2. By permission of the Financial Supervisory Authority, the contribution payment may also be divided in another manner.

The Financial Supervisory Authority shall be notified of the contribution payments determined in accordance with subsections 2 and 3 at the latest one month before they become payable to the contribution fund in accordance with the rules of the contribution fund. The Financial Supervisory Authority may order the contribution fund to raise the contribution payment of an individual investment firm if it deems that the contribution payment determined by the Board of Directors of the contribution fund is not sufficient to protect the claims of investors.

An investment firm shall not have the right to demand that its part of the compensation fund be separated for it or to convey it to another party and this part may not be included in the assets of the investment firm.

Section 5
Investors subject to the cover

An investor to whom the investment firm has provided investment service shall be subject to the cover.

Notwithstanding the provisions of subsection 1, the cover shall not extend to the claims of professional investors nor to the claims of an investor who is responsible for the financial difficulties of the investment firm or has benefited therefrom or aggravated them.

Section 6
Commencement of the duty to compensate of the compensation fund

If an investment firm has failed to pay the clear and indisputable claims of an investor subject to the cover held or managed by it in connection with the provision of investment services in accordance with the law or an agreement, the investor shall notify the Financial Supervisory Authority of the matter in order to receive compensation.

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 situation referred to in subsection 1, decide whether the compensation fund shall be liable to pay the claims of the investor. A precondition for the determination of the duty to compensate shall be that the non-performance of the claim referred to in subsection 1 has resulted from the placing of the investment firm in bankruptcy or from the commencement of the restructuring proceedings referred to in the Restructuring of Enterprises Act (47/1993) of the investment firm or from its insolvency which is not deemed temporary by the Financial Supervisory Authority and of which a sufficient account has been submitted.

The Financial Supervisory Authority shall notify the compensation fund and the investment firm of its decision referred to in subsection 2 and, if the investment firm has a branch outside Finland, the foreign EEA supervisory authority or the third-country supervisory authority as well as the cover system corresponding to the compensation fund of the State where the branch is located.

For the implementation of the decision of the Financial Supervisory Authority referred to in subsection 2 and for the making of the compensation decisions relating to individual investors, an investment firm shall submit to the compensation fund and the Financial Supervisory Authority information on all its clients referred to in this Act and on their claims referred to in subsection 1.

Section 7
Claims subject to compensation

The claims of investors subject to the cover, held or managed by an investment firm in connection with the provision of investment service, shall be compensated from the assets of the compensation fund. The compensation to be paid to one investor shall be nine-tenths of the amount of the claim of the investor from one and the same investment firm, however, at most EUR 20,000.

The compensation to be paid to an investor shall be calculated in accordance with the market value of the day on which the Financial Supervisory Authority made its decision in accordance with section 6, subsection 2 or on which an investment firm was placed in bankruptcy or restructuring proceedings were commenced, depending on which date is the earlier. The compensation shall be payable to an investor who has a full-amount right to the claims held in custody by the investment firm. If the compensation to be paid has several joint owners, the share of each joint owner shall be taken into account when calculating the maximum compensation to be paid to the investor.

Assets resulting from a crime referred to in chapter 32, sections 6–10 of the Criminal Code of Finland (39/1889) are not paid from the compensation fund.

If the authorisation of an investment firm is withdrawn in full, the claims of investors held and managed by the investment firm shall be subject to the cover until their maturity. An investment firm whose authorisation has been withdrawn shall continue to have joint responsibility for the payment of the claims of the investors held by it until the claims relating to the investment service have matured and they have been indisputably paid.

The claim of an investor who is a client of a branch of an investment firm, a management company, an AIFM and a credit institution located in an EEA Member State shall be compensated

from the assets of the compensation fund at most to the amount laid down in subsection 1. (166/2014)

When applying this section, credit institutions belonging to the consortium of deposit banks shall be deemed one credit institution.

Section 8
Payment of compensation from another fund

The assets referred to in chapter 5, section 8 of the Act on the Financial Stability Authority (1195/2014) in the account of the investor or assets in payment transfer not yet credited therein shall be compensated from the deposit-guarantee fund in compliance with the provisions of the Act on the Financial Stability Authority. (1201/2014)

Subsection 2 was repealed by Act 294/2019.

The liability as well as the obligation of the account manager to increase the registration fund in accordance with the Act on the Book-Entry System and Settlement Activities shall be separately provided for. If compensation could be paid from the compensation fund, the clearing fund in accordance with the Act on the Book-Entry System and Settlement Activities and the registration fund, the compensation shall be primarily paid from the compensation fund as provided for in this chapter.

Section 9
Payment of the claims of investors

The claims of investors shall be paid from the assets of the compensation fund in euros. If the assets of the compensation fund are not sufficient to pay the claims of the investors, the compensation fund may raise a loan for its operations in the manner laid down in its rules. The loan shall be repaid from raised contribution payments to be collected from the investment firms belonging to the compensation fund. Despite the termination of its membership in the fund, a former member shall be liable to pay the contribution payment and the administrative charge which are collected in order to cover the costs incurred by the fund due to a compensation event that has arisen prior to the termination of the membership.

The compensation fund shall pay the claims of investors without undue delay, however, at the latest within three months from the decision of the Financial Supervisory Authority referred to in section 6, subsection 2 or section 16. If an investment firm has, prior to the decision referred to in section 6, subsection 2, been placed in bankruptcy or its restructuring proceedings have commenced, the time period shall be calculated from this decision. An outstanding claim shall be paid interest on arrears in accordance with the Interest Act (633/1982) from the date on which the Financial Supervisory Authority made the decision referred to in section 6, subsection 2 or section 16 of this Act.

The Financial Supervisory Authority may, for a special reason, grant the compensation fund an extension of the time limit not exceeding three months for the payment of the claims of investors. Despite the extension, the compensation fund shall, however, pay the compensation without delay if a delay in the payment of the compensation were unreasonable with a view to the party receiving the compensation.

If the compensation fund has not compensated the claim of an investor within the time limit laid down in subsections 2 and 3, a claim has arisen for the investor which the investor may claim from the compensation fund.

If the investor or their representative is charged with money laundering or a money laundering violation referred to in chapter 32, sections 6–10 of the Criminal Code of Finland, the compensation fund may, notwithstanding the provisions of subsections 2 and 3, suspend any payment pending the final judgment of the court.

Section 10
Right of regression of the compensation fund

A right of regression shall arise for the compensation fund against an investment firm with regard to a claim referred to in section 7, subsection 1 compensated by it. The interest payable on the claim shall be governed by the rules of the compensation fund. Any amount of compensation which the compensation fund has collected under its right of regression from an investment firm liable for the compensation shall be added to the capital of the compensation fund.

Section 11
Notification of the commencement of the duty to pay

The compensation fund shall notify all the clients of the investment firm in question, in writing, of a decision of the Financial Supervisory Authority referred to in section 6, subsection 2. The compensation fund shall also submit a public notice of the measures which the investors will have to take in order to protect their claims. The notice shall also be published in the biggest daily newspapers published in the operating area of the investment firm in the official languages of the area.

The compensation fund may set a period of at least six months within which the investors shall have to take the measures in order to protect their claims. If the period expires, compensation shall not be paid. Compensation shall, however, be paid to an investor who, for a compelling reason, has not been able to take the measures referred to in subsection 1.

Section 12
Disclosure obligation of an investment firm

An investment firm shall make available, in Finnish and Swedish, to all investors information in a clear and comprehensible form on the scope of cover offered by the compensation fund to the claims of investors, on the lack or restriction thereof as well as on material changes relating to this information. A credit institution belonging to the compensation fund shall, in addition, inform the investors on whether the assets of the investors are covered by the compensation fund or by the deposit-guarantee fund.

In addition to the provisions of section 11 on the duty to notify of the compensation fund, an investment firm shall, on request, inform the investors on the prerequisites of compensation and the measures which the investors have to take in order to protect their claims.

An investment firm which has established a branch in an EEA Member State or which uses a tied agent established in an EEA Member State shall make available the information referred to in this section in the official languages of the State in which the branch is established or the tied agent operates.

Section 13
Joint liability of the members of the compensation fund

The members of the compensation fund shall be jointly liable for the obligations and commitments of the compensation fund.

Section 14
Capital of the compensation fund

The capital of the compensation fund shall be at least EUR 12 million, and the share thereof payable in cash shall be at least EUR 4.2 million. The capital of the compensation fund payable in cash shall be steadily increased. If the capital of the compensation funds falls below that stated above as a result of compensating the claims of investors, the capital shall be increased in the manner stated in this section within the period laid down in the rules of the compensation fund.

The difference between the capital of the compensation fund and the share of the capital payable in cash may be covered by insurance or by binding credit commitments of a credit institution not belonging to the fund or to the same group or consolidation group under the Act on Credit Institutions as a member of the fund. The Financial Supervisory Authority shall annually check that the capital of the compensation fund payable in cash has been steadily increased. Insurance or a binding credit commitment shall be taken in the name of the compensation fund and the investment firms belonging to the compensation fund shall jointly cover the costs incurred thereby. (523/2021)

Section 15
Investment of the assets of the compensation fund and its liquidity

The assets of the compensation fund shall be invested in a safe and efficient manner and safeguarding the liquidity of the fund as well as in compliance with the principle of deconcentrating the risks. The yield payable on the investments shall be added to the capital of the compensation fund.

The assets of the compensation fund may not be invested in the shares or participations of an investment firm or of an organisation belonging to its investment firm consolidation group or of a

management company or of an AIFM belonging to the compensation fund nor in other securities issued by an investment firm belonging to the compensation fund or by an organisation belonging to the same investment firm consolidation group or by a guarantee fund referred to in chapter 13, section 1 of the Act on Credit Institutions or by a management company. (523/2021)

The provisions of subsection 2 on an investment firm, a management company and an AIFM shall also apply to a foreign investment firm belonging to the compensation fund and to an organisation belonging to its consolidation group and to a foreign EEA management company and to an EEA AIFM. However, assets of the compensation fund may be invested in the assets of a common fund managed by a management company belonging to the compensation fund or of an UCITS managed by a foreign management company if the UCITS, under the legislation of its home State, is subject to provisions corresponding to those of chapter 9 section 1, subsection 2 of the Act on Common Funds on the keeping of the assets of the UCITS separate from the assets of the management company. (523/2021)

The liquidity of the compensation fund shall be adequately safeguarded vis-à-vis its operations.

The provisions laid down in subsections 2 and 3 concerning an investment firm and an undertaking belonging to its investment firm consolidation group shall be correspondingly applied to a consolidation group under the Act on Credit Institutions and a credit institution belonging to it. (523/2021)

Section 16
Withdrawal of the authorisation and claims of investors

When deciding on the withdrawal of the authorisation of an investment firm, the Financial Supervisory Authority may simultaneously order the claims of the investors to be paid from the assets of the investor-compensation fund as provided for in this chapter.

Section 17
Dismissal from the Compensation Fund

If an investment firm has failed to comply with the provisions of the law relating to the compensation fund or the provisions or regulations issued under this Act or the rules of the

compensation fund, the compensation fund shall notify the Financial Supervisory Authority thereof in accordance with section 3. After receipt of the notification, the Financial Supervisory Authority shall, together with the compensation fund, take the measures they deem necessary to rectify the matter.

If it is not possible, by the means of measures referred to in subsection 1, to ensure that an investment firm will fulfil its obligations and if failure to fulfil the obligations has to be deemed a material breach, the compensation fund may issue a written warning to the investment firm of its intention to dismiss it from the compensation fund. If an investment firm does not rectify its actions, it may be dismissed from the compensation fund at the earliest twelve months from the issuing of a warning. Before issuing a warning and before a decision to dismiss, the investment firm shall be heard by the compensation fund. The compensation fund shall obtain the consent of the Financial Supervisory Authority to the issuing of a warning and the making of a decision to dismiss. The compensation fund shall publish the decision to dismiss in the manner referred to in section 11, subsection 1.

The claims held or managed by an investment firm which has been dismissed from the compensation fund shall be covered until their maturity. An investment firm which has been dismissed from the compensation fund shall continue to have joint responsibility for the payment of the claims of the investors held and managed by it until the claims relating to the investment service have matured and they have been indisputably paid.

Section 18
Supplementary cover of a branch of a foreign EEA investment firm and measures to supplement the cover

A branch of a foreign EEA investment firm may apply in Finland for membership of the compensation fund in order to supplement the cover of the claims of investors provided in its home State if the cover offered by its home State is not as adequate as the compensation fund cover in accordance with this Act.

The application shall contain sufficient information on the foreign EEA investment firm and the cover scheme of its home State. The compensation fund shall request an opinion of the Financial Supervisory Authority and the Bank of Finland on the application. The compensation fund may

reject the application if the precondition provided for in subsection 1 is not met and the Financial Supervisory Authority consents to it.

The compensation fund shall, in its decision, order which claims of the investors and the amount up to which the compensation fund in Finland shall compensate and what the contribution payment payable by the investment firm shall be. The cover of the home State of a foreign EEA investment firm and the cover provided by the compensation fund shall, however, in total, be at most the amount of the cover provided for in section 7, subsection 1.

The liability of the compensation fund to pay the claims of the investors referred to in subsection 3 shall commence when the compensation fund has received from the foreign EEA supervisory authority information on the commencement of the liability of the cover scheme of the home State to pay the claims of the investors of the foreign EEA investment firm.

The compensation fund shall notify the investors of the branch of the commencement of the liability to pay. The compensation fund shall also, by a public notice, notify of the measures which the investors will have to take in order to protect their rights. The notice shall also be published in the biggest newspapers circulating in the operating area of the branch in Finnish and Swedish.

In order to implement the liability of the compensation fund, the foreign EEA investment firm shall submit to the compensation fund information on the investors and their claims referred to in subsection 1. The compensation fund may not give this information to other parties than the authorities entitled to receive information subject to the non-disclosure obligation.

Section 19
Dismissal of a branch of a foreign EEA investment firm from the compensation fund

If a branch of a foreign EEA investment firm has materially violated the provisions of this Act or the regulations issued thereunder or the rules of the compensation fund, the compensation fund may issue, in writing, a warning to the branch of its intention to dismiss it from the compensation fund. If a branch does not rectify its actions, the compensation fund may dismiss the branch at the earliest twelve months from the issuing of the warning. The compensation fund shall hear the branch and the Financial Supervisory Authority before issuing a warning and before a decision on dismissal. The compensation fund shall obtain the consent of the Financial Supervisory Authority

and the foreign EEA supervisory authority to the issuing of a warning and the making of a decision to dismiss.

The claims held or managed by a branch which has been dismissed from the compensation fund, based on an investment service provided prior to the decision to dismiss, shall be covered until their maturity. A branch which has been dismissed from the compensation fund shall continue to have joint responsibility for the payment of the claims of investors referred to in this subsection until the claims have matured and they have been indisputably paid.

The compensation fund shall notify the Financial Supervisory Authority and the foreign EEA supervisory authority of its decision to dismiss. The compensation fund shall notify of its decision to dismiss by a public notice which shall be published in Finnish and Swedish in the biggest newspapers circulating in the operating area of the branch.

Section 20
Liability to pay of the compensation fund upon liquidation or bankruptcy of a third-country investment firm

The assets of the compensation fund may be used to pay the claims of investors held in custody, for the purpose of providing investment services, by a branch of a third-country investment firm in Finland which belongs to the compensation fund and has been placed in liquidation or bankruptcy, if the assets of the investment firm or its bankruptcy estate are not sufficient for their payment. The compensation to be paid to one investor may be no more than the part of the claims not exceeding EUR 20,000. The claims may be paid already during the liquidation or bankruptcy.

The liability to pay of the compensation fund shall commence when the compensation fund has received:

1) a notification from the third-country supervisory authority to the effect that the investment firm has been placed in liquidation or bankruptcy in the home State of the undertaking and that the assets of the investment firm or its bankruptcy estate are not sufficient for the payment of the claims of the investors; or

2) a notification from the Financial Supervisory Authority of the placing of the branch of a third-country investment firm in bankruptcy in Finland.

After receipt of the notification of the placing in liquidation or bankruptcy, the compensation fund shall notify the investors who are clients of the branch in question thereof. The compensation fund shall also, by a public notice, notify of the measures which the investors will have to take in order to protect their rights. The notice shall also be published in the biggest newspapers circulating in the operating area of the branch in Finnish and Swedish.

In order to implement the liability of the compensation fund referred to in subsection 2, the branch shall submit to the compensation fund information on the investors and their claims referred to in subsection 1. The compensation fund may not give this information to other parties than the authorities entitled to receive information subject to the non-disclosure obligation.

Section 21
Dismissal of a third-country investment firm from the compensation fund

If a branch of a third-country investment firm has materially violated the provisions of this Act or the regulations issued thereunder or the rules of the compensation fund, the compensation fund may dismiss it at the earliest 12 months after the compensation fund has issued a warning to the branch. The compensation fund shall hear the branch and the Financial Supervisory Authority before issuing a warning and before a decision on dismissal. The compensation fund shall obtain the consent of the Financial Supervisory Authority and the third-country supervisory authority to the issuing of a warning and the making of a decision to dismiss.

The claims held by a branch which has been dismissed from the compensation fund, based on an investment service provided prior to the decision to dismiss, shall be covered until their maturity. A third-country investment firm, whose branch has been dismissed from the compensation fund, shall continue to have joint responsibility for the payment of the claims of investors referred to in this subsection until the claims have matured and they have been indisputably paid.

The compensation fund shall notify the Financial Supervisory Authority and the third-country supervisory authority of its decision to dismiss by a public notice which shall be published in the biggest newspapers circulating in the operating area of the branch in Finnish and Swedish.

Section 22
Contribution payment of a branch of a foreign investment firm

The determination of the contribution payment of a foreign EEA investment firm and a third-country investment firm which are members of the compensation fund shall be governed by the provisions of section 4 of the determination of the contribution payment of an investment firm.

Section 23
Disclosure obligation of a branch of a foreign investment firm of the compensation fund cover

A branch of a foreign investment firm shall make available, in Finnish and Swedish, to all investors information in a clear and comprehensible form on the scope of compensation-fund cover to the claims of investors of the branch, on the lack or restriction thereof as well as on material changes relating to this information. In addition, the branch shall, on request, inform the investors on the prerequisites of compensation and the measures which the investors have to take in order to protect their claims.

Section 24 (25/2020)
Request for an administrative review or a judicial review by appeal

Investment firms and foreign investment firms may request that a decision made by the compensation fund under this Act be reviewed by the Financial Supervisory Authority. Provisions on requesting an administrative review are laid down in the Administrative Procedure Act (434/2003).

A decision made on the request for an administrative review is eligible for judicial review by appeal to the Helsinki Administrative Court. Provisions on requesting a judicial review by an administrative court are laid down in the Administrative Judicial Procedure Act (808/2019).

Section 25
Marketing restriction

An investment firm and a foreign investment firm may not provide false or misleading information relating to the compensation-fund cover of investors in its marketing. An investment firm and a foreign investment firm may in its marketing use only information relating to its own compensation-fund cover.

Information, the misleading or untruthful nature of which is revealed following the presentation of the information and which may be of material significance to the investor, shall, without delay, be corrected or supplemented in an adequate manner.

PART IV
NON-DISCLOSURE, MISCELLANEOUS PROVISIONS AND SANCTIONS

Chapter 12
Non-disclosure and customer due diligence

Section 1 (645/2018)
Non-disclosure obligation

Anyone who, in the capacity of a member or deputy member of a body of an investment firm or of an undertaking belonging to the same investment firm consolidation group, a consortium of investment firms or of a representative of an investment firm or of another undertaking operating on behalf or as the employee of an investment firm or acting by order thereof, has, in performing their duties, obtained information on the financial position or private personal circumstances of a client of an investment firm or an undertaking belonging to the same investment firm consolidation group or a conglomerate referred to in the Act of the Supervision of Financial or Insurance Conglomerates (699/2004) or of another person connected with its operation or on a trade secret shall be liable not to disclose it unless the person to whose benefit the obligation to remain silent has been provided consents to its disclosure. Non-disclosable information may not be disclosed to a General Meeting of the Shareholders of an investment firm or to a shareholder attending the meeting. (523/2021)

The provisions of subsection 1 on the non-disclosure obligation shall also apply to anyone who, in performing the tasks referred to in chapter 11, has obtained unpublished information on the financial position or private circumstances or a trade secret of an investment firm or of its clients.

Section 2
Disclosure of non-disclosable information

An investment firm, its holding company and a financial institution belonging to an investment firm consolidation group and a consortium of investment firms shall be under an obligation to disclose the information referred to in section 1, subsection 1 to a prosecuting or pre-trial investigation authority for the investigation of a crime as well as to other authorities entitled to the information under the law. (523/2021)

Unless otherwise provided in the General Data Protection Regulation, an investment firm and an undertaking belonging to the investment firm consolidation group shall have the right to disclose the information referred to in section 1, subsection 1 to an organisation belonging to the same group, investment firm consolidation group or a financial or insurance conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates for the purpose of customer service or other management of a customer relationship, marketing, and for the risk management of the group, consolidation group or financial or insurance conglomerate, provided that the recipient of the information is subject to the non-disclosure obligation laid down in this Act or a corresponding non-disclosure obligation. The provisions of this subsection on disclosure of information shall not apply to the disclosure of information referred to in Articles 9(1) and 10 of the General Data Protection Regulation nor to data based on the registration of payment data between a customer and an undertaking other than one belonging to the conglomerate. (523/2021)

In addition to the provisions of subsection 2, an investment firm and an undertaking belonging to the investment firm consolidation group may disclose information from its customer register necessary for marketing and customer service and other management of a customer relationship to an undertaking that belongs to the same financial consortium as the investment firm if the recipient of the information is subject to the non-disclosure obligation laid down in this Act or a corresponding non-disclosure obligation. The provisions of this subsection shall not apply to the

disclosure of information referred to in Articles 9(1) and 10 of the General Data Protection Regulation. (523/2021)

An investment firm shall have the right to disclose the information referred to in section 1, subsection 1 to a stock exchange, an organiser of multilateral trading and an organiser of organised trading referred to in the Act on Trading in Financial Instruments if the information is necessary in order to safeguard the supervisory duty provided for them or the obligation to keep records. The investment firm shall have the same right to disclose information to an organisation comparable to a stock exchange, an organiser of multilateral trading and an organiser of organised trading operating in an EEA Member State. (1069/2017)

In addition to the provisions of subsection 2, an investment firm and an undertaking belonging to the investment firm consolidation group may disclose information from its customer register necessary for marketing and customer service and other management of a customer relationship to an undertaking that belongs to the same financial consortium as the investment firm if the recipient of the information is subject to the non-disclosure obligation laid down in this Act or a corresponding non-disclosure obligation. (523/2021)

Section 3
Customer due diligence

An investment firm and a financial institution belonging to its investment firm consolidation group shall conduct customer due diligence. An investment firm and a financial institution belonging to its investment firm consolidation group shall identify the beneficial owner and the party acting on behalf of a client as well as, where necessary, authenticate their identity. The systems referred to in subsection 2 can be utilised in fulfilling the obligation laid down in this subsection. (523/2021)

An investment firm and a financial institution belonging to its investment firm consolidation group shall have in place adequate risk-management procedures whereby they can assess the customer-based risks to their operations. (523/2021)

Provisions on knowing the customer are also laid down in the Act on Detecting and Preventing Money Laundering and Terrorist Financing (444/2017). (449/2017)

The Financial Supervisory Authority shall issue further provisions on the procedures to be complied with in customer due diligence referred to in subsection 1 and on risk management referred to in subsection 2.

Section 3a (397/2019)
Processing of personal data

The provisions in chapter 15, section 18a of the Act on Credit Institutions on the processing of personal data related to malpractice shall also apply to investment firms.

Section 4
Application of the provisions on the obligation to remain silent and customer due diligence to a branch of a foreign investment firm

The obligation to remain silent, the right to disclose information and breach of the non-disclosure obligation of an employee of a branch of a foreign investment firm as well as customer due diligence shall be governed by the provisions of sections 1-3.

Notwithstanding the provisions of subsection 1, a branch shall have the right to give the information for which disclosure has been provided or duly ordered to an authority or an organisation responsible for the supervision of the home State of the investment firm as well as to an auditor of the investment firm represented by it.

Chapter 13
Establishment of a branch and provision of services abroad

Section 1 (1069/2017)
Establishment of a branch in another EEA Member State or use of a tied agent

An investment firm, which intends to establish a branch in an EEA Member State other than Finland or intends to use a tied agent established in such other EEA Member State within the territory of which it has not established a branch, shall notify the Financial Supervisory Authority thereof well in advance. Ancillary services may only be provided together with the provision of an investment service or the performance of an investment activity. The notification shall include:

1) information on the EEA Member State within the territory of which the branch is to be established or within the territory of which the tied agents to be used are established;

2) a programme of operations setting out, at least, the investment services or activities and ancillary services in accordance with Annex 1 of the Markets in Financial Instruments Directive that are to be provided;

3) a description of the organisational structure of the branch and the use of any tied agent as well as the name of the tied agent;

4) a description of the organisational structure and the intended use of the tied agent, when the investment firm does not establish a branch;

5) the address of the branch or the tied agent from which documents may be obtained;

6) the names of the persons responsible for the activities of the branch or of the tied agent.

The Financial Supervisory Authority shall, within three months of receiving the notification referred to in subsection 1, communicate said information to the competent foreign EEA supervisory authority and the investment firm as well as enclose to the notification information on the cover system intended for the protection of the investors of the branch or its absence. The Financial Supervisory Authority shall, however, decide not to communicate the information if it has reason to doubt the adequacy of the financial situation or the administrative structure of the investment firm, taking into account the activities envisaged. The activities may not be started if the Financial Supervisory Authority has refused to communicate the information within said period.

An investment firm may establish a branch in an EEA Member State and start to provide investment services on receipt of a communication from the foreign EEA supervisory authority or, failing a communication, within two months from the filing of the notification referred to in subsection 2 by the Financial Supervisory Authority.

The investment firm shall notify the Financial Supervisory Authority of any changes in the information referred to in subsection 1 at least one month before the changes are intended to be

implemented. After receiving the notification, the Financial Supervisory Authority shall take the measures referred to in subsection 2.

If the investment firm intends to use a tied agent established in another EEA Member State, the tied agent shall be governed by the provisions of this chapter on a branch, where applicable.

Section 2
Application for the establishment of a branch in a third country

An investment firm shall apply for an authorisation from the Financial Supervisory Authority if the undertaking intends to establish a branch in a third country.

The application shall be appended with the necessary accounts on:

1) the decision to establish a branch;

2) any authorisation that may be required for establishing a branch by the State in which the branch is located;

3) the management of the branch;

4) the arrangement of the administration and activities of the branch;

5) the internal supervision and risk management of the branch;

6) the use of a tied agent;

7) the legislation of the State in which the branch is located;

8) the supervision of the branch in the State where it is located.

The contact information to be given in an application as well as the accounts to be appended to an application may be further provided for by a Decree of the Ministry of Finance.

Section 3
Granting of an authorisation to establish a branch in a third country

The Financial Supervisory Authority shall grant an investment firm an authorisation to establish a branch in a third country if:

1) sufficient supervision of the branch can be arranged; and

2) the establishment of the branch, taking into account the management of the investment firm and its financial situation, is not likely to endanger the activities of the investment firm.

After hearing the applicant for the authorisation, the Financial Supervisory Authority may include in the authorisation restrictions and terms relating to the activities of the branch and necessary for supervision.

Section 4
Protecting the claims of clients of a branch

An investment firm shall notify the Financial Supervisory Authority of the manner in which the claims of investors who are clients of its foreign branch have been protected.

Section 5
Restriction and prohibition of operations of a branch

Provisions on the restriction and prohibition of operations are laid down in sections 27 and 57 of the Act on the Financial Supervisory Authority.

Section 6 (1069/2017)
Provision of services to another EEA Member State

An investment firm, which intends to commence the provision of investment services or the performance of investment activity and the provision of ancillary services in accordance with Annex I of the Markets in Financial Instruments Directive in an EEA Member State other than Finland without establishing a branch, shall notify the Financial Supervisory Authority thereof well in

advance. Ancillary services may only be provided together with the provision of an investment service or the performance of an investment activity. The notification shall include at least the following information:

1) the EEA Member State within the territory of which the investment firm intends to operate;

2) a programme of operations including information on the investment services provided or the investment activity performed and the ancillary services provided as well as, if the intention is to use in said EEA Member State one or more tied agents established in Finland, the names of the tied agents.

The Financial Supervisory Authority shall, within one month of receiving the notification referred to in subsection 1, communicate said information to the supervisory authority of the host EEA Member State. If the investment firm intends to use in another EEA Member State tied agents established in Finland, the Financial Supervisory Authority shall, within one month of receiving said notification, communicate to the supervisory authority of the host EEA Member State the names of the tied agents which the investment firm intends to use in the provision of services and the performance of activity in said EEA Member State. The investment firm may thereafter commence the provision of investment services or the performance of investment activity and the provision of ancillary services in the host EEA Member State.

The investment firm shall notify the Financial Supervisory Authority of any changes in the information referred to in subsection 1 at least one month before the changes are intended to be implemented. After receiving the notification, the Financial Supervisory Authority shall take the measures referred to in subsection 2.

An investment firm which intends to provide an investment firm, credit institution or another person established in another EEA Member State with a direct possibility to trade in a multilateral trading facility or in an organised trading facility, shall notify the Financial Supervisory Authority thereof well in advance. The notification shall contain further information on the place where and the manner in which the possibility to trade is intended to be provided. The Financial Supervisory Authority shall, within one month from receipt of the notification, communicate the information it has received to the foreign EEA supervisory authority. The Financial Supervisory Authority shall, on request of the foreign EEA supervisory authority, communicate the identities of the investment

firms, credit institutions and other persons established in said EEA Member State, to which the investment firm has granted the rights of a trading party of the MTF to trade in a multilateral trading facility.

The investment firm shall notify the Financial Supervisory Authority of any change in the information referred to in subsection 4 at the latest one month before the change is to be implemented. The Financial Supervisory Authority shall notify the foreign EEA supervisory authority of these changes.

Section 6a (1069/2017)
Provision of services to a third country

An investment firm that intends to commence the provision of investment services or the performance of investment activity and the provision of ancillary services in accordance with Annex I of the Markets in Financial Instruments Directive in a third country without establishing a branch shall notify the Financial Supervisory Authority well in advance of the services or activity that the investment firm intends to provide as well as of the State and the manner in which they shall be provided. A notification shall also be submitted if this information changes.

Section 7
Transfer of the registered office to another EEA Member State

If an investment firm intends to transfer its registered office to another EEA Member State as provided for in Article 8 of the European Company Regulation or chapter 17a, section 1 of the Limited Liability Companies Act, the investment firm shall submit to the Financial Supervisory Authority a copy of the transfer proposal referred to in Article 8(2) of the European Company Regulation and of the report referred to in paragraph 3 of the said Article or of the transfer plan referred to in chapter 17a, section 4 and the Board of Director's report referred to in section 6 of the Limited Liability Companies Act immediately after the investment firm has declared the proposal for registration. An auditor referred to in chapter 17a, section 9, subsection 1 of the Limited Liability Companies Act is required to have the competence referred to in chapter 8, section 2 of this Act or another independent expert is required to have a corresponding competence approved in the target state. (1341/2022)

If the investment firm intends to continue the provision of investment services in Finland after the transfer of the registered office, it shall be governed by the provisions of this Act on the right of a foreign investment firm to provide investment services in Finland.

The registration authority may not issue a certificate referred to in section 9, subsection 5 of the Act on European Companies or in chapter 17a, section 21, 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 referred to in section 9, subsection 2 of the Act on European Companies or in chapter 17a, section 21, subsection 2 of the Limited Liability Companies Act that the investment firm has not complied with the provisions on the transfer of the registered office or the continuance or termination of operations in Finland. The permission may be granted before one month has passed from the due date referred to in chapter 16, section 6, subsection 2 or chapter 17a, section 11, subsection 2 of the Limited-Liability Companies Act only if the Financial Supervisory Authority has notified that it does not oppose the transfer of the registered office. (1341/2022)

Section 8 (1341/2022)
Merger and division to another EEA Member State

If an investment firm participates in cross-border merger or cross-border division in the European Economic Area, the registration authority may not issue a certificate relating to merger referred to in section 4, subsection 3 of the Act on European Companies or in chapter 16, section 26, subsection 4 of the Limited-Liability Companies Act or a certificate relating to division referred to in chapter 17, section 25, subsection 4 of the latter Act if the Financial Supervisory Authority has notified the registration authority prior to the granting of the permission that the investment firm has not complied with the provisions on merger or division or the continuance of the activities or the termination of activities in Finland. The permission may be granted before one month has passed 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 oppose the merger, the division or the transfer of the registered office relating to the establishment of an SE. An auditor referred to in chapter 16, section 4, subsection 1 or chapter 17, section 4, subsection 1 of the Limited Liability Companies Act is required to have the competence referred to in chapter 8, section 2 of this Act.

If the acquiring company to be registered in another State intends to continue the provision of investment services in Finland after the merger or division, it shall be governed by the provisions of this Act on right of a foreign investment firm to provide investment services in Finland.

Section 9
Compensation fund clarification

If the registered office of an investment firm is transferred to another EEA Member State or if, in a merger or division, the acquiring company has been or is registered in another EEA Member State, the investment firm shall draw up a clarification of the investor-compensation scheme explaining the arrangements relating to the investor compensation scheme before and after the measure as well as presenting the possible differences in the compensation cover. The investment firm shall request a statement of the Financial Supervisory Authority on the compensation-fund clarification. The request for an opinion shall be accompanied by all additional information requested by the Financial Supervisory Authority.

If an investor covered by the investor protection referred to in chapter 11, section 5 remains, after the transfer of the registered office, merger or division referred to in subsection 1, in full or in part outside the cover afforded by the investor-compensation scheme, the investment firm shall notify the investor thereof no later than three months prior to the date set for creditors by the registration authority referred to in chapter 16, section 6, subsection 2 or chapter 17, section 6, subsection 2 of the Limited-Liability Companies Act. The notification shall be appended with the clarification referred to in subsection 1 of this section and a copy of the statement of the Financial Supervisory Authority. The notification shall indicate the right of the investor to give notice under subsection 3 of this section. (1341/2022)

An investor referred to in subsection 2 shall have the right, within three months from receipt of the notification and notwithstanding the original terms of the contract, to give notice to terminate the contract with the investment firm relating to investment service.

The disclosure obligation of the investment firm in connection with a measure referred to in subsection 1 shall otherwise be governed by the provisions of chapter 11, sections 12 and 23.

Section 10
Duty to inform the European Securities and Markets Authority and the European Commission

The Financial Supervisory Authority shall inform the European Securities and Markets Authority and the European Commission of any general difficulties which the investment firms have encountered in third countries in establishing or providing services therein.

Chapter 13a (1201/2014)
Liquidation and bankruptcy

Section 1 (1201/2014)
Scope of application

This chapter shall be applied to an investment firm belonging within the scope of application of chapter 6, section 1, subsection 1.

Section 2 (1201/2014)
Application of the provisions of the Act on Commercial Banks and the Act on Credit Institutions

The liquidation and bankruptcy of an investment firm shall be governed by the provisions of chapter 6 of the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company (1501/2001), hereinafter the Act on Commercial Banks, on a credit institution with the exception of section 20, subsection 2, section 20b, subsection 1, paragraph 1, section 22, subsection 2, section 22a, subsection 1, paragraph 1 as well as sections 23 and 24 of the said Act.

The liquidators shall submit the notification referred to in chapter 20, section 10 of the Limited-Liability Companies Act also to the Investors' Compensation Fund if the investment firm is a member of the Fund as well as, if the notification is based on a decision other than that referred to in section 19 of the Act on Commercial Banks, to the Financial Supervisory Authority.

A creditor whose claim is based solely on a claim to be compensated in full from the Investors' Compensation Fund may not file a petition for the bankruptcy of the investment firm on the basis of such claim.

An investment firm to which the Act on the Resolution of Credit Institutions and Investment Firms applies shall also be subject to the provisions of chapter 1, section 4a, subsection 1, paragraphs 3–5 and chapter 1, section 3 of the Act on Credit Institutions. (867/2018)

Chapter 14
Special provisions on foreign investment firms

Section 1
Trade Register entries

A notification shall be submitted to the Trade Register of a branch of a foreign investment firm. Provisions on the notification are laid down in the Trade Register Act (564/2023).

Section 2
Notices

A summons or another notice shall be deemed to have been served to the foreign investment firm when it has been served to a person who has the right, alone or together with another person, to represent the investment firm.

If none of the representatives of the foreign investment firm referred to in subsection 1 has been entered in the Trade Register, the notice may be served by conveying the documents to a person in the employment of the investment firm or, if no such person is found, to the police authority of the location of the branch of the investment firm in compliance with the provisions of chapter 11, section 7, subsections 2-4 of the Code of Judicial Procedure.

Section 3
Liability for damages of a foreign investment firm and its branch director

The liability of a foreign investment firm to compensate a damage incurred by a client of the branch or by another person shall be governed by the provisions of chapter 16, section 1, subsection 1 on an investment firm. The provisions of this subsection on the liability to compensate the damage shall also apply to the party to whom the branch of a third-country investment firm has outsourced the function referred to in chapter 7, section 5. (1069/2017)

The branch director of a foreign investment firm shall be liable to compensate any damage they have caused to a client of the branch or to another person in their duties either wilfully or through negligence by breaching the provisions of this Act or the provisions issued under this Act. The provisions of this Act shall not apply to damage caused by breaching the provisions of chapter 7, section 9, subsection 1 or 2, chapter 9, sections 2-4, chapter 10, section 1, subsections 2-4, sections 2-5, section 8, subsections 1, 2, 4-8 or section 9, subsection 2 and sections 11-13. (1069/2017)

Provisions on the adjustment of the damages and the allocation of liability between two or more liable persons are laid down in chapters 2 and 6 of the Tort Liability Act (412/1974).

Section 4 (1201/2014)
Winding-up proceedings and reorganisation measure of a foreign EEA investment firm

Winding-up proceedings and reorganisation measures of a foreign EEA investment firm governed by Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, hereinafter the crisis management directive, shall be governed by the provisions of chapter 19, sections 1-4 of the Act on Credit Institutions on a foreign EEA credit institution.

Chapter 15 (1069/2017)
Administrative sanctions

Section 1 (1069/2017)
Administrative fine

The 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 may be imposed shall be the provisions of chapter 7, sections 12-14 of this Act on an insider declaration and an insider register.

Section 2 (1069/2017)
Penalty payment

The provisions and decisions referred to in section 40 of the Act on the Financial Supervisory Authority for the neglect or violation of which a penalty payment shall be imposed shall be:

1) the provision of chapter 2, section 4 of this Act on the use of the term "banker" or "bankers" in the trade name or otherwise in activity;

2) the provision of chapter 7, section 3 of this Act on the financing of the acquisition and accepting as pledge of financial instruments belonging to own funds of the investment firm as well as the decision of the Financial Supervisory Authority issued under section 30 of the Act on the Financial Supervisory Authority on the restriction of distribution of funds;

3) the provisions in chapter 9a, section 2, subsections 1–4 of this Act on the identification data of shareholders; and

4) the provisions of chapter 12 of the Act on Credit Institutions on the preparation and publishing of the financial statements, annual report and consolidated financial statements.

(513/2019)

In addition to the provisions of subsection 1, the provisions and decisions referred to in section 40, of the Act on the Financial Supervisory Authority shall be:

1) the provisions of chapter 6b, sections 1a and 2 of this Act on governance arrangements, chapter 6b, sections 2a and 2b of this Act on risk management, and chapter 6b, sections 7–11 of this Act on remuneration, and the provisions of the Limited Liability Companies Act on restrictions on the distribution of profit; (523/2021)

2) the provision of chapter 12, section 3 of this Act on customer due diligence;

3) the provisions of chapter 8a, sections 1–3, 8 and 9 of the Act on Credit Institutions on the duty of a credit institution and a consolidation group under the Act on Credit Institutions as well as an investment firm consolidation group to prepare and review the recovery plan in accordance with sections 3 and section 4, subsection 1 as well as on the approval of the recovery plan, the provision of chapter 9a, section 7, subsection 3 on notifying the authorities of the decision concerning the provision of financial assistance and the provision of chapter 11, section 5a, subsection 3 on notification of information to the authorities. (523/2021)

4) the provisions of chapter 6b, section 2c of this Act on the supervision of the internal transactions and risk management of an investment firm and a mixed-activity holding company. (523/2021)

A penalty payment may not be imposed under the provisions of chapter 6b, sections 1a, 2a, 2b or 7–11 mentioned in subsection 2, paragraph 1 on an investment firm referred to in chapter 6b, section 1a, subsection 2 that meets the conditions for qualifying as a small and non-interconnected investment firm set out in Article 12, paragraph 1 of the Investment Firms Regulation. (523/2021)

A penalty payment may not be imposed under subsection 2, paragraph 1 on other than an investment firm and an undertaking belonging to the same investment firm consolidation group or mixed-activity holding group as well as on a person belonging to the management of the said legal person, contrary to whose duties the act or violation referred to in this section is. (523/2021)

In addition to the provisions of subsections 1 and 2, the provisions referred to in section 40, subsection 1 of the Act on the Financial Supervisory Authority shall be the violation or neglect of the following provisions of the EU Investment Firms Regulation

1) an investment firm fails to report information or provides incomplete or inaccurate information on compliance with the obligation to meet own funds requirements set out in Article 11 of the EU Investment Firms Regulation, in breach of Article 54, paragraph 1, point b of the said Regulation;

2) an investment firm fails to report to the Financial Supervisory Authority information about concentration risk or provides incomplete or inaccurate information, in breach of Article 54, paragraph 1, point e of the EU Investment Firms Regulation;

3) an investment firm incurs a concentration risk in excess of the limits set out in Article 37 of the EU Investment Firms Regulation;

4) an investment firm repeatedly or persistently fails to hold liquid assets in breach of Article 43 of the EU Investment Firms Regulation;

5) an investment firm fails to disclose information, or provides incomplete or inaccurate information, in breach of the provisions set out in Part Six of the EU Investment Firms Regulation;

6) an investment firm makes payments to holders of instruments included in the own funds of the investment firm where Article 28, 52 or 63 of the EU Capital Requirements Regulation prohibit such payments to holders of instruments included in own funds;

7) an investment firm allows one or more persons that do not comply with Article 91 of the Credit Institutions Directive to become or remain a member of the board of directors.

(523/2021)

In addition to the provisions of subsections 1, 2 and 5 of this section, the provisions and decisions referred to in section 40 of the Act on the Financial Supervisory Authority shall be:

1) the provision of chapter 2, sections 1 and 2 of the Act on the provision of investment services subject to an authorisation, the provision of section 26, subsection 1, paragraph 1 of the Act on the Financial Supervisory Authority on the conditions for granting an authorisation and the provision of subsection 2, paragraph 4 on the information submitted upon application for authorisation as well as the decision made under sections 26 and 27 of the Act on the Financial Supervisory Authority on the withdrawal of an authorisation or of its restriction;

2) the provisions of chapter 4 on establishment of a branch of a foreign EEA investment firm and provision of services in Finland, the provisions of chapter 5 on establishment of a branch of a third-country firm and provision of services in Finland as well as the provisions of chapter 13 on establishment of a branch and provision of services abroad;

3) the provisions of chapter 6a, and chapter 7, section 10 on the duty to notify regarding the acquisition and disposal of shares and a decision made under section 32a of the Act on the Financial Supervisory Authority on the prohibition of acquisition of a holding and a decision made under section 32c on the restriction of rights arising from shares;

4) the provisions of chapter 6b, sections 2a, 2b, 3 and 4 on governance arrangements; (523/2021)

5) the provisions of chapter 7, sections 2, 5-7 and 9 on the arrangement of activities;

6) the provision of chapter 6b, section 12, subsection 1 on reporting of breaches; (523/2021)

7) the provisions of chapter 9, sections 1-4 and 4a on depositing and other handling of client assets;

8) the provisions of chapter 10, sections 2-13 on procedures in a client relationship;

9) the provision of chapter 7, section 6, subsection 1 of the Act on Credit Institutions on reporting of violations;

10) the provisions of section 18, subsection 1; section 19, subsections 1 and 3 and sections 23 and 24 of the Act on the Financial Supervisory Authority on the right to obtain information and the right of inspection of the Financial Supervisory Authority; (365/2023)

11) the provision of chapter 7a, sections 1–6 on algorithmic trading and direct electronic access to the market. (365/2023)

In addition to the provisions of subsections 1, 2, 5 and 6, the provisions referred to in chapter 40 of the Act on the Financial Supervisory Authority shall be a violation or neglect of the following provisions of the EU Markets in Financial Instruments Regulation:

1) the provisions of Article 3, paragraphs 1 and 3; Article 4, paragraph 3, subparagraph 1; Article 6; Article 7, paragraph 1, the first sentence of subparagraph 3; Article 8, paragraphs 1, 3 and 4; Article 10 as well Article 11, paragraph 1, the first sentence of subparagraph 3 and paragraph 3, subparagraph 3 on transparency for financial instruments;

2) the provisions of Article 7, paragraph 1 and Article 11, paragraph 1 on authorisation of deferred publication;

3) the provisions of Article 12, paragraph 1 and Article 13, paragraph 1 on obligation to offer trade data on a separate and reasonable commercial basis;

4) the provisions of Article 14, paragraph 1, the first sentence of paragraph 2 and the second, third and fourth sentences of paragraph 3; Article 15, paragraph 1, subparagraph 1 and the first and third sentences of subparagraph 2, paragraph 2 and the second sentence of paragraph 4; Article 17, the second sentence of paragraph 1; Article 18, paragraphs 1 and 2, the first sentence of paragraph 4, the first sentence of paragraph 5 and paragraph 6, subparagraph 1 as well as paragraphs 8 and 9; Article 20, paragraph 1 and the first sentence of paragraph 2; Article 21, paragraphs 1, 2 and 3; Article 22, paragraph 2 as well as Article 23, paragraphs 1 and 2 on transparency for systematic internalisers and investment firms trading OTC;

5) the provisions of Article 25, paragraphs 1 and 2; Article 26, paragraph 1, subparagraph 1, paragraphs 2-5, paragraph 6, subparagraph 1 and paragraph 7, subparagraphs 1-5 and 8; as well as Article 27, paragraph 1 on transaction reporting;

6) the provisions of Article 28, paragraph 1 and paragraph 2, subparagraph 1; Article 29, paragraphs 1 and 2; Article 30, paragraph 1; and Article 31, paragraphs 2 and 3 on derivatives;

7) the provisions of Article 35, paragraphs 1-3; Article 36, paragraphs 1-3; as well as Article 37, paragraphs 1 and 3 on non-discriminatory clearing access for financial instruments;

8) the provisions of Articles 40-42 on supervisory measures on product intervention.

In addition to the provisions of subsections 1, 2 and 5–7 of this section, the provisions referred to in section 40, subsection 1 of the Act on the Financial Supervisory Authority shall also be the further provisions and regulations as well as the provisions of Commission regulations and decisions issued under the crisis management directive, the credit institutions directive, the markets in financial instruments directive, the shareholder rights directive as well as the EU investment firms regulation and the EU markets in financial instruments regulation relating to the provisions referred to in the said subsections. (523/2021)

Under the provisions of subsection 6, paragraph 10 above, a penalty payment may not be imposed on a party other than a supervised entity of the Financial Supervisory Authority or on another person who is liable to comply with this Act or the EU Markets in Financial Instruments Regulation. A penalty payment may not be imposed on a natural person when there is reason to suspect the person for an offence and the information relates to the matter under suspicion.

Section 3 (1069/2017)
Imposition and enforcement of administrative sanctions

Provisions on the imposition, announcement and implementation of administrative sanctions are laid down in chapter 4 of the Act on the Financial Supervisory Authority.

Chapter 16
Provisions on liability for damages and punishment

Section 1 (1069/2017)
Liability for damages

An investment firm and the compensation fund shall be liable to compensate a damage they have caused, wilfully or through negligence, to a client of an investment firm or to another person

through a procedure in violation of this Act or of the provisions or regulations issued thereunder, the EU markets in financial instruments regulation, the EU investment firms regulation or when applying, subject to the conditions laid down in chapter 6, section 2b of this Act, the regulations or decisions of the European Commission issued under the EU capital requirements regulation, the EU markets in financial instruments regulation, the EU investment firms regulation or the EU capital requirements regulation, the markets in financial instruments directive, the credit institutions directive or the shareholder rights directive or the rules of the compensation fund. (523/2021)

A member of the Board of Directors and the Managing Director of an investment firm shall be liable to compensate damage they have, in their duties, wilfully or through negligence caused to the investment firm or to a shareholder or to another person by breaching the provisions of this Act or the provisions issued thereunder, the markets in financial instruments regulation, the EU investment firms regulation or when applying, subject to the conditions laid down in chapter 6, section 2b the Commission regulations and decisions issued under the markets in financial instruments regulation, the EU capital requirements regulation, the investment firms regulation, the markets in financial instruments directive, the credit institutions directive, the EU investment firms regulation or the shareholder rights directive. A loss is deemed to have been caused by negligence if the party responsible for the procedure fails to demonstrate that due care was taken. The provisions of this subsection shall not apply to damage caused by breaching the provisions of chapter 7, section 9, subsection 1 or 2, chapter 9, sections 2–4, chapter 10, section 1–7, section 8, subsections 1, 2, 4–8, or sections 9–14 or chapter 12, section 1 or 2 or section 3, subsection 1 or 3. (523/2021)

A shareholder of an investment firm shall be liable to compensate a damage which they have, by contributing to the violation of the provisions of this Act or the provisions issued thereunder, the markets in financial instruments regulation, the EU capital requirements regulation or Commission regulations and decisions issued under the markets in financial instruments regulation, the EU capital requirements regulation, the markets in financial instruments directive or the credit institutions directive, wilfully or through negligence, caused to the investment firm, a shareholder or to another person. The provisions of this subsection shall not apply to damage caused by breaching the provisions of chapter 7, section 9, subsection 1 or 2, chapter 9, sections 2–4, chapter 10, section 1–7, section 8, subsections 1, 2 or 4–8, or sections 9–14 or chapter 12, section 1 or 2 or section 3, subsection 1 or 3. (523/2021)

The provisions of subsection 1 on the duty to compensate the damage shall also apply to the party to whom the investment firm has outsourced the function referred to in chapter 7, section 5. The liability of the investment firm for the actions of a tied agent shall be governed by chapter 7, section 6, subsection 1. The liability for damages of an auditor shall be governed by chapter 10, section 9 of the Audit Act (1141/2015).

Provisions on the adjustment of the damages and the allocation of liability between two or more liable persons are laid down in chapters 2 and 6 of the Tort Liability Act (412/1974).

Section 2
Investment service offence

Anyone who wilfully or through gross negligence provides investment services in violation of chapter 2, section 1 or 2 or despite of the withdrawal of authorisation referred to in section 26 or in violation of the decision on the restriction of activities in accordance with the authorisation referred to in section 27 of the Act on the Financial Supervisory Authority or, in violation of chapter 2, section 4 of this Act uses in its trade name or otherwise to indicate its activities the term banker or bankers, shall, unless the act is of minor significance or a more severe punishment for the act is provided elsewhere by law, be sentenced for an investment service offence to a fine or to imprisonment not exceeding one year.

Section 3 (1069/2017)
Breach of the non-disclosure obligation

Punishment for breach of the non-disclosure obligation laid down in in chapter 12, sections 1, 2 and 4 shall be sentenced in accordance with chapter 38, section 1 or 2 of the Criminal Code of Finland (39/1889) (unless a more severe punishment for the act is provided elsewhere by law.

Section 4 (623/2014)
Breach of provisions relating to the distribution of funds of an investment firm

Anyone who wilfully

1) distributes the funds of an investment firm in breach of chapter 11, section 8 of the Act on Credit Institutions, the provisions of the Limited Liability Companies Act or a decision issued by the Financial Supervisory Authority under the law or

2) violates the provisions of Chapter 7, section 3 on the grant of a loan or security or the acceptance of a pledge of own shares, or those of a parent company, participations, capital loans, debenture bonds or comparable commitments,

shall, unless the act is of minor significance or a more severe punishment for the act is provided elsewhere by law, be sentenced for a breach of the provisions relating to the distribution of funds of an investment firm to a fine or to imprisonment not exceeding one year.

Sections 5–6 were repealed by Act 623/2014.

Chapter 16a (623/2014)
Supervisory powers

Section 1 (623/2014)
Prohibition and rectification order

The Financial Supervisory Authority may prohibit a party who violates this Act from continuing or repeating the measures contrary to this Act as well as simultaneously oblige the party to cancel, change or rectify the measures if it is to be considered necessary for the realisation of the objectives laid down for the supervision of the financial markets.

Section 2 (623/2014)
Conditional fine

The Financial Supervisory Authority may enhance compliance with the prohibition or order referred to in section 1 by a conditional fine. Provisions on a conditional fine are laid down in the Act on Conditional Fines (1113/1990).

Chapter 17
Entry into force and transitional provisions

Section 1
Entry into force

This Act enters into force on 1 January 2013.

This Act shall repeal the Act on Investment Firms (922/2007) and the Act on the Right of a Foreign Investment Firm to Provide Investment Services in Finland (580/1996), hereinafter the Acts to be repealed.

Any Government Decrees and Decrees of the Ministry of Finance as well as regulations issued by the Financial Supervisory Authority issued under the Acts to be repealed shall remain in force.

If a reference is made elsewhere in the law to the Act to be repealed or a provision of the Act to be repealed is otherwise referred to, a provision of this Act, replacing the said provision, shall be applied in its stead.

Section 2
Transitional provisions

An investment firm and a third-country investment firm which, upon the entry into force of this Act, has a valid authorisation granted under the Acts to be repealed shall continue to have the right to provide investment service and ancillary service in accordance with the said authorisation.

The investment firm referred to in subsection 1 shall bring the categorisation of clients to correspond to the requirements provided for in chapter 1, section 18 within six months from the entry into force of the Act. The provisions of this subsection on an investment firm shall correspondingly apply to another investment service provider.

If, upon the entry into force of this Act, the investment firm referred to in subsection 1 has the right, in accordance with its authorisation, to provide to the clients safekeeping and management of financial instruments as ancillary services, the said right shall be deemed to be included in the

authorisation of the undertaking as an investment service referred to in chapter 1, section 11 paragraph 9. The Financial Supervisory Authority shall, ex officio, make an entry of this right in the register of investment firms referred to in chapter 3, section 7 within six months from the entry into force of the Act. The Financial Supervisory Authority shall reserve the investment firm a possibility to be heard before making the entry.

An investment firm referred to in subsection 3, which provides safekeeping of financial instruments, shall bring the amount of its share capital to correspond to the requirement provided for in chapter 6, section 1, paragraph 1 within six months from the entry into force of this Act.

An insider of an investment firm referred to in chapter 7, section 17 of this Act shall bring the insider declaration in accordance with section 18 to correspond to the requirements of this Act within one month from the entry into force of the Act. An investment firm and another investment service provider shall bring the insider register of the investment firm referred to in chapter 7, section 19 to correspond to the requirements of the Act within two months from the entry into force of the Act.

An investment firm and another investment service provider shall notify the Financial Supervisory Authority of the name and contact information of the body referred to in chapter 10, section 13, subsection 2 within three months from the entry into force of the Act.

An application for authorisation that is pending upon the entry into force of this Act shall be supplemented to meet the requirements of the Act.