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

Act on Investment Services

(747/2012; amendments up to 218/2019 included)

Pursuant to the 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, credit-institution activity or market making in commodity derivatives;

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

c) the business operator notifies annually the Financial Supervisory Authority that it makes use of this exemption and upon request presents to the Financial Supervisory Authority the basis on which it considers its activity ancillary to its main business;

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.

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 3 or 5 applies to the business operator.

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 referred to in the Act on Pension Foundations (1774/1995) nor to pension funds referred to in the Act on Pension Funds (1164/1992).

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 in chapter 1, sections 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 or provide 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 of an investment firm or a credit institution authorised in a third country that complies with operating stability provisions corresponding to those of the Act on Investment Services or the Act on Credit Institutions (610/2014);

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 and 6b; chapter 7, section 7, subsection 4 and section 9; chapter 10, sections 2 and 3 and section 4, subsections 1 and 2 if the investment exceeds EUR 2,000; chapter 10, section 5, subsections 1-3, section 6, subsections 5-8 and sections 7, 11, 12 and 15; and the provisions of chapters 15, 16 and 16a.

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 shall 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 amount of the insurance is at least EUR 1,000,000 for each claim and in aggregate EUR 1,500,000 per year for all claims;

3) if the insurance includes a deductible, the insurer shall pay the compensation to the victim of the damage without deducting the deductible;

4) the insurance shall compensate for a damage that has arisen as a result of an act or neglect that has taken place during the insurance period and for the compensation of which a written claim has been presented to the notifier or insurer during the validity of the insurance or within three years from the termination of the insurance.

The services referred to in subsection 1 above may be provided from Finland to the EEA territory unless it is prohibited or restricted in another EEA Member State. Third countries shall be separately provided for.

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, section 2; chapter 7, sections 2 and 5 and section 6, subsections 1-3, 5 and 6; chapter 7 and 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.

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 as well as section 2, subsections 2 and 4; chapter 7, sections 2, 5, 7-9, 12-14 and 16; chapter 9; chapter 10, sections 1-7 and 15 and 16;

and chapters 11, 12 and 15 and chapter 16, sections 2 and 3 of this Act. 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 as well as section 2, subsections 2 and 4; chapter 7, sections 2, 5, 7-9, 12-14 and 16; chapters 9-11 and 15 and in chapter 16, sections 2 and 3 of this Act.

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 1-9, 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.

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 activity, be governed by the provisions 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 1-9, 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.

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 governed by the provisions of chapter 2, section 2; chapter 7, section 2, subsection 6 and sections 15 and 16; chapter 7a, section 5; chapter 10, sections 1-9, 11-14 and 16; and chapter 11, sections 18, 19 and 22-25 on a foreign EEA investment firm and by the provisions of chapter 15 on a foreign investment firm as well as by the provisions of chapter 16, section 2 of this Act.

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 1-8 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 3-26 and Part VII of the EU Markets in Financial Instruments Regulation.

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.

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.

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 a) 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 and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

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 investment firms and amending Regulation (EU) No 648/2012;

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.

Section 12 (1069/2017)

Technical standards and delegated regulations of the European Union

In addition to this Act, the provisions and regulations issued thereunder as well as the EU Markets in Financial Instruments 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.

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 and branch

For the purposes of this Act:

1) an *investment firm* means a Finnish limited company or a European company referred to in the Act on European Companies (742/2004) that holds an authorisation in accordance with this Act to provide investment services or to perform investment activity;

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 *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:

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
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 senior 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 (1069/2017)
Services undertaking

For the purposes of this Act, a *services undertaking* means an ancillary services undertaking referred to in Article 4, paragraph 1, point 18 of the EU Capital Requirements 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 the institutions referred to in Article 4, paragraph 1, points 20 and 21 of the EU Capital Requirements Regulation, the subsidiaries of which are mainly investment firms or other financial institutions and at least one of the subsidiaries being an investment firm.

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 (1069/2017)
Consolidation group

In this Act a *consolidation group* means a group comprising the parent company of the group, which is a Finnish or foreign investment firm or a Finnish or foreign holding company acting as the parent company of the investment firm (*parent company of the consolidation group*) as well as the Finnish and foreign subsidiaries of the parent company which are other investment firms, credit institutions, financial institutions and ancillary services undertakings (*subsidiary of a consolidation group*).

The scope of application of the consolidated supervision applicable to an investment firm acting as the parent company of a consolidation group and a corresponding investment firm acting as a

subsidiary of a holding company shall be governed by Articles 11-24 of the EU Capital Requirements 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 referred to in the Act on Pension Foundations and a pension fund referred to in the Act on Pension Funds;

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 member or participant or client of a trading venue permits a person to use its trading code so the person can electronically transmit orders relating to a financial instrument directly to the trading venue.

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 products* mean the wholesale energy products 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 himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by himself;

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.

Section27 (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 investment advice relating to financial instruments referred to in chapter 1, section 3, subsection 1, paragraph 1. A precondition for granting a private entrepreneur or a legal person, managed by a single natural person, an authorisation shall be that alternative arrangements are in place which ensure the sound and prudent management of such entrepreneur or legal person as well as the adequate consideration of the interests of clients and the integrity of the market. Said entrepreneur and natural person shall be of sufficiently good repute, possess sufficient knowledge, skills and experience and commit sufficient time to perform their duties.

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) provide safekeeping of financial instruments other than that referred to in paragraph 7;

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

An investment firm which carries out the arrangement of multilateral trading or organised trading may also operate and offer data reporting services referred to in chapter 1, section 2, subsection 1, paragraph 19 of the Act on Trading in Financial Instruments.

Section 3a (1069/2017)

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. The transmission of crowdfunding concerning other than financial instruments shall be governed by the Crowdfunding Act (734/2016).

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 (735/2016)
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.

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 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 shall, in that case, be deemed to concern a rejecting decision. A complaint may be filed until the decision has been issued. The Financial Supervisory Authority shall notify the appeal authority of the issuing of the decision if the decision is issued after the filing of the appeal. In other respects, the filing and handling of an appeal shall be governed by the provisions of the Administrative Judicial Procedure Act (586/1996).

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)
Preconditions for the granting of an 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 he has:

1) with 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 he is manifestly unsuitable to own an investment firm; or if he has

2) otherwise, through his earlier activity, indicated that he is manifestly unsuitable to own an investment firm.

If the judgment referred to in subsection 2, paragraph 1 has not become non-appealable, the person sentenced 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 his 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 establishment of a European company by merger so that the receiving company whose registered office is in another State will be 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

The withdrawal of the authorisation and the restriction of activities shall be governed by 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. Where necessary, the Financial Supervisory Authority may prohibit the commencement of new business transactions.

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 3 and 4 in Finland, shall establish a branch in Finland and apply for an authorisation to the branch from the Financial Supervisory Authority.

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 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 (1069/2017)
Exemption from the requirement for authorisation of a branch

If a third-country firm provides investment services or performs investment activities in a certain financial instrument to a client referred to in section 1, subsection 1 at its own exclusive initiative, the requirement for authorisation of a branch provided in said subsection 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 other new categories of investment products or investment services to said client.

Section 5 (1069/2017)
Withdrawal of authorisation and restriction of activities 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.

Section 7 (1069/2017)
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.

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 (1069/2017)
Minimum capital

The share capital of an investment firm shall be at least EUR 730,000 unless otherwise provided below. The share capital of an investment firm, notwithstanding an investment firm referred to in subsection 5 that offers only transmission of orders or investment advice, shall consists of one or more items set out in Article 26, paragraph 1, subparagraphs a-e of the EU Capital Requirements Regulation.

The share capital of an investment firm that does not deal on own account or carry out underwriting or the arrangement of multilateral trading or organised trading but is authorised to hold client funds shall be at least EUR 125,000.

The share capital of an investment firm that provides investment services in derivative contracts relating solely to commodities markets and referred to in chapter 1, section 14, subsection 1, paragraphs 4-6, in financial contracts for differences referred to in paragraph 8 or in derivative contracts referred to in paragraph 9 shall be at least EUR 125,000.

The share capital of an investment firm referred to in subsection 2, which is not authorised to hold client funds, shall be at least EUR 50,000.

The share capital of an investment firm that only provides transmission of orders, execution of orders, asset management or investment advice as investment services and is not authorised to provide the ancillary service referred to in chapter 2, section 3, subsection 1, paragraph 7 or to hold client funds shall be:

1) a share capital of at least EUR 50,000;

2) an indemnity insurance covering all EEA Member States against liability for which the investment firm is liable under this Act, representing at least EUR 1,000,000 for each claim and in aggregate EUR 1,500,000 per year for all claims; or

3) a combination of the share capital in accordance with paragraph 1 and an indemnity insurance in accordance with paragraph 2 in a form resulting in a level of coverage equivalent to paragraph 1 or 2.

If an investment firm providing services referred to in subsection 4 acts as an insurance broker referred to in the Act on Insurance Distribution (234/2018), the undertaking shall, in addition to that provided for in the said Act, have: (243/2018)

1) a share capital of at least EUR 25,000;

2) an indemnity insurance covering all EEA Member States against liability for which the investment firm is liable under this Act, representing at least EUR 500,000 for each claim and in aggregate EUR 750,000 per year for all claims; or

3) a combination of the share capital in accordance with paragraph 1 and an indemnity insurance in accordance with paragraph 2 in a form resulting in a level of coverage equivalent to paragraph 1 or 2.

The share capital shall be subscribed in full when the authorisation is granted.

Section 2 (623/2014)
Financial stability and its supervision

The financial operating conditions and the supervision of the financial position of an investment firm as well as the granting of exemptions relating thereto shall be governed by the provisions of chapter 5, section 15 and chapters 9, 9a, 10 and 11 of the Act on Credit Institutions. In derogation from the provisions of chapter 10, section 2 of said Act, an investment firm shall always have own funds at least in the amount provided in section 1 of this chapter. An investment firm, governed by the provisions of the Act on the Crisis Management of Credit Institutions and Investment Firms (1194/2014), shall also be governed by the provisions of chapter 8a of the Act on Credit Institutions. (895/2017)

The provisions of subsection 1 shall not be applied to an investment firm referred to in section 1, subsections 5 and 6. Notwithstanding the provisions of this subsection above, an investment firm referred to in section 1, subsection 5 which provides the execution of orders or asset management as investment services shall be governed by the provisions of Article 95, paragraph 2 of the EU Capital Requirements Regulation. The provisions of chapter 10, sections 3-8 shall not be applied to an investment firm the number of personnel of which is less than 250 and the balance sheet total no more than 43 million euros.

The provisions of chapter 1, section 4 of the Act on Credit Institutions on a credit institution shall be applied to an investment firm. The provisions of the said section on a credit institution shall not, however, be applied to an investment firm the parent company of which is a credit institution authorised in an EEA Member State or a holding company in such a state which is simultaneously the parent company of a credit institution authorised in an EEA Member State and if the credit institution is under supervision on the basis of its consolidated financial situation.

The provisions of Part Four of the EU capital requirements regulation on large exposures shall not be applied to an investment firm, which performs only an activity referred to in chapter 1, section 15, paragraph 1, 2, 4, 5 or 7 of this Act. (1069/2017)

Section 3 (623/2014)
Authority to issue decrees

With regard to investment firms, the following shall be provided for by a Decree of the Ministry of Finance:

1) the management and staff remuneration principles and practices referred to in section 49, subsections 2 and 3 of the Act on Credit Institutions;

2) the risk weights of assets and off-balance-sheet commitments applicable to the calculation of the minimum own funds for credit risk as well as the conversion factors of off-balance-sheet commitments when using the standardised approach in accordance with section 58 of the Act on Credit Institutions;

3) items which may be excluded when calculating the customer exposure limitations referred to in section 69 of the Act on Credit Institutions;

Section 4 (623/2014)
Authority to issue regulations of the Financial Supervisory Authority

The Financial Supervisory Authority shall issue the further regulations required by the implementation of the Credit Institution Directive and the Capital Adequacy Directive on the financial operating conditions of an investment firm referred to in section 2.

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 percent 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 him 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

Section 1 (1069/2017)
General requirements on corporate governance of an investment firm

The corporate governance of an investment firm shall be governed by the provisions of chapter 7, sections 1-3 and 5-7 and chapter 8 of the Act on Credit Institutions. The provisions of chapter 8 of said Act shall, however, not be applied to an investment firm referred to in Article 4, paragraph 1, subparagraph 2, point c of the EU Capital Requirements Regulation.

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 chapter 7, section 1 of the Act on Credit Institutions, the board of directors of an investment firm shall define and approve:

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 3 (1069/2017)
Minimum number of persons who effectively direct the business of an investment firm

At least two persons who meet the requirements provided in sections 1 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 deemed reliable and of good repute if he has:

1) been sentenced to imprisonment within the last five years prior to the assessment or to a fine within the last three years prior to the assessment for a crime that can be deemed to indicate that he is manifestly unsuitable to the task referred to in subsection 1; or if he has

2) otherwise by his earlier activity indicated that he is manifestly unsuitable to the task referred to in subsection 1.

The time period referred to in subsection 2, paragraph 1 above shall be calculated from the date on which the judgment became final until the acceptance of the task. If the judgment has not become final, the sentenced person may, however, continue to exercise control belonging to a member of the management of an investment firm if this is deemed well-founded when assessing, as a whole, his earlier actions, the conditions leading to the judgment and any other factors significant to 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.

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 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 consolidation group shall be deemed comparable to granting a loan.

Unless otherwise provided for in subsection 3, an investment firm and an undertaking belonging to its consolidation group may, notwithstanding the provisions of chapter 13, section 10, subsection 1 of the Limited-Liability Companies Act (624/2006) 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:

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.

An investment firm and an undertaking belonging to its 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.

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 efficient supervision be prevented by the provisions and administrative provisions of a third country applicable to a natural or legal person with such a link.

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

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 its client his capacity and the name of the investment firm that he 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, his 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. 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 in the form of a printout, through a technical user interface or in other electronic form, or make them publicly available through an electronic data network.

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.

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 referred to in chapter 10, section 1, subsection 2, 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.

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

Section 10 (1069/2017)
Acquisition of control in an undertaking located in a third country

An investment firm or an undertaking belonging to its 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 consolidation group.

Section 11 (1069/2017)
Inclusion of an investment firm in a foreign consolidation group or a foreign financial and insurance conglomerate

If an investment firm belongs to a 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 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 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.

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 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.

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 consolidation group meets the requirements set in subsection 1.

The provisions of subsection 1 on a consolidation group shall correspondingly apply to a financial and insurance conglomerate.

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 and who, as part of his 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 the date on which he was 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 his 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 in so far 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, a voluntary association or an economic association or a non-profit association. 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 (623/2014)
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 of chapter 12, sections 1–11 of the Act on Credit Institutions.

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

In addition to the provisions elsewhere in the law, an investment firm and a data reporting services provider 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.

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 thereon 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.

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.

Section 5 (1069/2017)
Authority of the Financial Supervisory Authority to issue regulations

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)
Report by the 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
Appointment of 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 his 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.

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 his 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, he 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 he is 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
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.

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 his ability to bear losses, on his investment objectives, including his risk tolerance so that the investment firm may recommend to the client investment services and financial instruments that are suitable to him and, in particular, are in accordance with his 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.

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 his 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 2 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, paragraph 1 of this Act 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:

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 3 fulfil its obligations relating to the conflicts of interest referred to in chapter 7, section 9.

Section 5 (1069/2017)
Disclosure obligation of an investment firm

The investment firma 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.

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 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 or non-monetary benefit. The client shall be informed of the transferred returned payment.

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.

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 his 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 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 own account, may enter into transactions with an eligible counterparty without being obliged to comply with the obligations referred to in sections 1-9 in respect of the transaction or an ancillary service relating thereto, with the exception of section 5, subsections 1-3 and section 7, subsections 1-4. 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.

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.

Section 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. On request of the Financial Supervisory Authority, the investment firm shall submit to the Financial Supervisory Authority the rules of the body and the other accounts ordered by the Financial Supervisory Authority and necessary for the supervision of compliance with the provisions of 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.

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 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 consolidation group as a member of the fund;

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 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)

If the account may, under an agreement on investment service concluded between a credit institution or an investment firm and the investor, only be used for investment services, the assets in the account or assets in payment transfer not yet credited therein shall, in derogation from the provisions of subsection 1, be compensated from the compensation fund in the manner provided for in this chapter. Also the assets of the clients of an investment firm in an account referred to in chapter 9, section 3 in the name of the investment firm shall be compensated in the manner provided for in this chapter.

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 his representative is charged with money laundering or 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 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.

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 credit institution belonging to the compensation fund or of an organisation belonging to their 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 or credit institution belonging to the compensation fund or by an organisation belonging to the same 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. (623/2014)

The provisions of subsection 2 on an investment firm, a management company, an AIFM and a credit institution shall also apply to a foreign investment firm or credit institution belonging to the compensation fund and to an organisation belonging to their 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. (218/2019)

The liquidity of the compensation fund shall be adequately safeguarded vis-à-vis its operations.

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 published 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 secrecy 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 secrecy 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 (166/2014)
Rectification request and appeal

An investment firm and a foreign investment firm shall have the right to request that a decision made by the compensation fund under this Act be rectified by the Financial Supervisory Authority as provided in the Administrative Procedure Act (434/2003).

Appeal against a decision made on the rectification request shall be lodged with the Helsinki Administrative Court as provided for in the Administrative Judicial Procedure Act (586/1996). A decision of the Administrative Court may be challenged by appeal only if the Supreme Administrative Court grants a leave of appeal. (623/2014)

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
SECRECY, MISCELLENAOUS PROVISIONS AND SANCTIONS

Chapter 12
Secrecy and customer due diligence

Section 1(645/2018)
Secrecy 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 consolidation group, a consortium of investment firms or of a representative of an investment firm or of another undertaking operating on behalf of an investment firm or as their employee or acting by order thereof, has, in performing his 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 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 to keep it confidential unless the person to whose benefit the secrecy obligation has been provided consents to its disclosure. Confidential information may not be disclosed to a General Meeting of the Shareholders of an investment firm or to a shareholder attending the meeting.

The provisions of subsection 1 on the secrecy obligation shall also apply to any one 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 confidential information

An investment firm, its holding company and a financial institution belonging to its 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.

An investment firm and an undertaking belonging to the consolidation group of the investment firm shall have the right to disclose the information referred to in section 1, subsection 1 to an organisation belonging to the same group, 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 secrecy obligation laid down in this Act or a corresponding secrecy obligation. The provisions of this subsection on

disclosure of information shall not apply to the disclosure of sensitive data referred to in section 11 of the Personal Data Act (523/1999) nor to data based on the registration of payment data between a customer and an undertaking other than one belonging to the conglomerate.

In addition to the provisions of subsection 2, an investment firm and an undertaking belonging to the consolidation group of the investment firm 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 secrecy obligation laid down in this Act or a corresponding secrecy obligation. The provisions of this subsection shall not apply to the disclosure of sensitive date referred to in section 11 of the Personal Data Act.

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)

Section 3
Customer due diligence

An investment firm and a financial institution belonging to its consolidation group shall conduct customer due diligence. An investment firm and a financial institution belonging to its consolidation group shall identify the beneficial owner and the party acting on behalf of a client as well as, where necessary, authenticate their identity. In fulfilling the requirement provided for in this subsection, the systems referred to in subsection 2 may be utilised. (623/2014)

An investment firm and a financial institution belonging to its consolidation group shall have in place adequate risk-management procedures whereby they can assess the customer-based risks to their operations.

Customer due diligence shall also be governed by the provisions of the Act on 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 4
Application of the provisions on secrecy and customer due diligence to a branch of a foreign investment firm

The secrecy obligation, the right to disclose information and breach of the secrecy 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 the latest one month before the changes are to be implemented. The Financial Supervisory Authority shall, upon receipt of the notification, 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 the activity of a branch

The restriction and prohibition of activities of a branch shall be governed by 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, the investment firm shall submit to the Financial Supervisory Authority a copy of the transfer proposal referred to in paragraph 2 and of the report referred to in paragraph 3 of the said Article immediately after the investment firm has declared the proposal for registration.

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 if the Financial Supervisory Authority has notified the registration authority prior to the granting of the permission referred to in subsection 2 of the same section that the investment firm has not complied with the provisions on the transfer of the registered office 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 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.

Section 8
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 a SE.

If the acquiring company to be registered in another State intends to continue the provision of investment services in Finland after the merger, 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 a statement shall be appended with the additional accounts ordered 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 or merger 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 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.

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 his 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.

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 as provided for in the Trade Register Act (129/1979).

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(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 he has caused to a client of the branch or to another person in his 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)

The adjustment of damages as well as the division of liability among two or more persons liable for the damages shall be governed by the provisions of chapters 2 and 6 of the Damages 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, 2004/25/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 of chapter 12 of the Act on Credit Institutions on the preparation and publishing of the financial statements, annual report and consolidated financial statements.

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 provision of chapter 7, section 8, subsection 1 of this Act and the provisions of chapter 7, sections 1-5 and section 6, subsection 1 of the Act on Credit Institutions on corporate governance, the provisions of chapter 8, sections 3-14 on remuneration and the provisions of chapter 9 sections 2-21 on risk management and 11, section 8 of the Act on Credit Institutions and of the Limited Liability Companies Act on restrictions on the distribution of profit;

2) the provision of chapter 12, section 3 of this Act on customer due diligence;

3) the provisions of chapter 8 a, sections 1-3, 8 and 9 of the Act on Credit Institutions on the duty of a credit institution and the 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 of the consolidation group, the provision of chapter 9 a, section 7, subsection 3 on notifying the authorities of the decision concerning the provision of financial assistance and the provision of chapter 11, section 5 a, subsection 3 on notification of information to the authorities.

A penalty payment may not be imposed on an investment firm referred to in chapter 6, section 1, subsections 5 and 6 of this Act under the provisions of the Act on Credit Institutions referred to in subsection 2, paragraph 1 with the exception of the provision of chapter 7, section 4.

A penalty payment may not be imposed under subsection 2, paragraphs 1 and 3 on other than an investment firm and an undertaking belonging to the same consolidation 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.

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 capital requirements regulation:

1) the provision of Article 99, paragraph 1 on reporting on own funds requirements;

2) the provision of Article 101 on reporting on national property market data;

3) the provision of Article 394, paragraph 1 on reporting on information about large exposures;

4) the provisions of Article 395, paragraph 1 and paragraphs 3-8 on limits to large exposures;

5) the provision of Article 405 on transfer of credit risk relating to a securitised position;

6) the provision of Article 412 on the liquidity coverage requirement;

7) the provisions of Article 415, paragraphs 1 and 2 on reporting on information about liquidity;

8) the provisions of Article 430, paragraph 1 on reporting on information on the leverage ratio;

9) the provisions of Article 431, paragraphs 1-3 and Article 451, paragraph 1 on disclosure requirements.

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 on corporate governance;

5) the provisions of chapter 7, sections 2, 5-7 and 9 on the arrangement of activities;

6) the provision of chapter 7a, sections 1-6 on algorithmic trading and direct electronic access;

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.

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 1and 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 as well as the EU capital requirements regulation and the EU markets in financial instruments regulation relating to the provisions referred to in the said subsections.

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

The imposition, notification and enforcement of administrative sanctions shall be governed by chapter 4 of the Act of the Financial Supervisory Authority.

Chapter 16
Provisions on liability for damages and punishment

Section 1
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 capital requirements regulation and the regulations or decisions of the European Commission issued under the EU markets in financial instruments regulation, the EU capital requirements regulation, the markets in financial instruments directive or the credit institutions directive or the rules of the compensation fund.

A member of the Board of Directors and the Managing Director of an investment firm shall be liable to compensate a damage he has, in his 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 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. The damage shall be deemed to have been caused by negligence unless the person liable for the procedure proves that he has acted with due care. 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.

A shareholder of an investment firm shall be liable to compensate a damage which he has, 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 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 1-7, 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.

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 Accounting Act (1141/2015). The adjustment of damages as well as the division of liability among two or more persons liable for the damages shall be governed by the provisions of chapters 2 and 6 of the Damages Act (412/1974).

Section 2
Investment service crime

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 minor or subject to a more severe punishment elsewhere in the law, be sentenced for an *investment service crime* to a fine or to imprisonment not exceeding one year.

Section 3 (1069/2017)
Breach of the secrecy obligation

Punishment for breach of the secrecy 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 the act is subject to a more severe punishment elsewhere in the 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) wilfully breaches the provisions of chapter 7, section 3 on the granting of a loan or on depositing a security or on accepting own shares, participations, capital loans, debentures or comparable commitments of the parent company as pledge shall, unless the act is minor or subject to a more severe punishment elsewhere in the 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.

Section 5 and 6 was repealed by Act 623/2014.

Chapter 16a (623/2014)
Supervisory powers

Section 1 (623/2014)
Prohibition and rectification decision

The Financial Supervisory Authority may prohibit anyone who acts in violation of this Act from continuing or repeating the procedure in violation of this Act as well as simultaneously obligate the procedure to be revoked, altered or rectified if this is to be deemed necessary in order to achieve the goals set on the supervision of the financial markets.

Section 2 (623/2014)
A conditional fine

The Financial Supervisory Authority may strengthen compliance with the prohibition or decision referred to in section 1 with a conditional fine. The conditional fine shall be provided for in the Act on Conditional Fines (1113/1990).

Chapter 17
Provisions on 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 (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 prior to making an 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.

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Entry into force and application of the transitional provisions 1069/2017:

This Act enters into force on 3 January 2018.

An investment firm whose authorisation, upon the entry into force of this Act, includes the right to provide investment services relating to safekeeping of financial instruments referred to in chapter 1, section 11, paragraph 9 of the Act to be amended shall retain the right to provide safekeeping of financial instruments as an ancillary service referred to in chapter 2, section 3, subsection 1, paragraph 7. The Financial Supervisory Authority shall 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 this Act. The Financial Supervisory Authority shall reserve the investment firm a possibility to be heard before making the entry.

An entrepreneur which, upon the entry into force of this Act, provides investment services or performs investment activity subject to authorisation as referred to in chapter 2, section 1 shall,

within six months from the entry into force of the Act, apply for an authorisation or terminate its activities.

The Financial Supervisory Authority may grant an exemption from compliance with the obligation referred to in Article 4 and Article 11, paragraph 3 of Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to commodity derivatives referred to in Annex I, Part C, paragraph 6 of the Markets in Financial Instruments Directive to an investment firm authorised in accordance with this Act on 4 January 2018 or thereafter. The exemption may be in force until 3 January 2021 at the latest. The Financial Supervisory Authority shall, without delay, notify the European Securities Markets Authority of any exemptions granted under this section.

An annual account in accordance with chapter 7, section 11, subsection 4 and section 19, subsection 4 in force upon the entry into force of this Act to be amended need not be submitted to the Financial Supervisory Authority of the year 2017.