This country-specific Q&A provides an overview of banking & finance laws and regulations applicable in Finland.

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1. What are the national authorities for banking regulation, supervision and resolution in your jurisdiction?

The supervision of banking activities in Finland is divided between the European Central Bank (ECB), the European Banking Authority (EBA) and the Finnish Financial Supervisory Authority (FFSA). The ECB monitors developments in the EU banking sector and addresses possible systemic risks in the financial system through macroprudential policies. Regulation (EU) 1024/2013 on the single supervisory mechanism (the SSM Regulation) confers specific tasks on the ECB related to the prudential supervision of credit institutions. Together with national supervisory authorities, the ECB supervises globally systemically important institutions (G-SIIs) considered as significant based on their size, economic importance, cross-border activity or direct public financial assistance. The EBA works to ensure effective and consistent prudential regulation and supervision across the European banking sector in order to maintain financial stability, efficiency and orderly functioning of the banking sector. The main task of EBA is to provide harmonised prudential rules for financial institutions throughout the EU and promote convergence of supervisory practices in the EU banking sector.

The primary supervisory responsibility for other banks and credit institutions lies with the FFSA. The functions of the FFSA are aimed at safeguarding financial stability and the stable operation of credit institutions and other supervised entities and ensuring adherence to good market practices in order to maintain confidence in the financial markets. The FFSA also decides on capital buffers and holds administrative sanctioning powers with respect to breaches against the Finnish Act on Credit Institutions (610/2014, as amended). The FFSA engages in international co-operation in the field of regulation and supervision and is a member of the single supervisory mechanism that comprises the ECB and the national competent authorities of the participating EU countries.

The Finnish Financial Stability Authority operates as Finland’s national resolution authority. It is responsible for resolution planning concerning credit institutions and investment firms, and for decision making relating to the reorganisation of institutions experiencing financial difficulties. The Financial Stability Authority also maintains the Finnish deposit guarantee scheme.

The activities of the Finnish central bank, the Bank of Finland, include four core tasks:

- Monetary policy and research;
- Financial supervision;
- Banking operations; and
- Maintenance of currency supply.

The Bank of Finland oversees the financial and economic system. It implements the European monetary policy in Finland through its own monetary policy operations and safeguards the domestic financial system’s liquidity management and manages payment transfers between banks.

The Finnish Financial Ombudsman Bureau provides advisory services to individuals and small enterprises free of charge in the fields of banking, insurance and securities. The Finnish Financial Ombudsman Bureau also operates a complaints board issuing recommendations for the resolution of disputes related to insurance, banking and securities.

The Finnish Consumer Agency monitors laws protecting consumers in the market while the consumer advisors, operating in connection with the Finnish Consumer Agency, provide advisory and mediation services to consumers also in the field of retail banking services.

2. Which type of activities trigger the requirement of a banking licence?

An entity that receives repayable funds from the public and grants credit or other finance on its own account must obtain a license to pursue the business of a credit institution. Exemptions from the licensing obligation apply with respect to:
the Bank of Finland;
the raising of funds for the purpose of the regulated activities of mutual funds and alternative investment funds, insurance companies and payment institutions;
any entities raising funds by means of issuance of debt securities; and
limited companies, partnerships, cooperations and certain other entities which publish annual and interim reports in accordance with the provisions of the Finnish Securities Markets Act (746/2012, as amended) and which are allowed to raise repayable funds from the public by means issuing securities or such other debt instruments which have a fixed term in excess of 30 days and are not redeemable by the issuer or which are repayable upon notice and have a notice period in excess of 30 days.

Investment banks that provide investment services in accordance with the Finnish Investment Services Act (747/2012, as amended) must be licensed as investment firms.

3. Does your regulatory regime know different licenses for different banking services?
A Finnish credit institution may be licensed as either a deposit bank or as a financing institution. Only entities licensed as deposit banks may receive deposits from the public. Financing institutions are credit institutions that provide banking services but are not allowed to receive deposits. Investment banks are usually licensed as investment firms under the Investment Services Act.

4. Does a banking license automatically permit certain other activities, e.g., broker dealer activities, payment services, issuance of e-money?
Credit institutions may pursue the following business activities:
- receive repayable funds from the public;
- other fund-raising;
- granting of credit or other finance;
- financial leasing;
- payment services;
- issuing of electronic money and related procession of data;
- collection of payments;
- foreign exchange services;
- notary services;
- securities trade and other securities business;
- provision of guarantees;
- credit information operations;
- housing savings associated with acquisitions of shares in a housing company and real estate brokerage;
- other similar business activities.

A credit institution may also provide investment services. The Articles of Associations or rules of the credit institution must contain information on the investment services provided or investment activities conducted by the credit institution and the credit institution must notify the FFSA of the commencement of any business including investment services or ancillary services and specify how the conduct of business rules and the client protection provisions are complied with.

Investment services and investment activities of credit institutions are primarily regulated by the Finnish Investment Services Act and the provision of payment services is subject to the Finnish Payment Services Act (290/2010, as amended).

5. Is there a “sandbox” or “license light” for specific activities?
Finnish law does not recognize a lighter form of registration for credit institutions engaged in regulated activities, including reception of deposits and other repayable funds from the public.

Investment banks providing investment services or engaging in investment activities must have investment firm licenses. Investment banks that only provide merger and acquisition related advisory services qualifying as ancillary services under the Finnish Investment Services Act do not require a license.

Mortgage banks issuing covered bonds secured mainly by housing loans granted by the issuer of the bond, are regulated under the Finnish Act on Mortgage Credit Bank Operations (688/2010). Mortgage banks are defined as banks having the form of a limited company and engaged only in mortgage credit bank operations under a license granted by the FFSA.

No licensing requirements apply for credit providers who do not raise deposits or other repayable funds from the public. However, consumer credit providers are obliged to register with the Regional State Administrative Agency.
6. Are there specific restrictions with respect to the issuance or custody of crypto currencies, such as a regulatory or voluntary moratorium?

The Act on Offerors of Virtual Currencies (572/2019) entered into force in 2019. The Act regulates the business of crypto currency offerors. Under the act, crypto currency offerors must register with the FFSA. Entities offering crypto currencies occasionally as an ancillary activity to another licensable or registerable activity (e.g. payment services or credit institution services) are exempted from the registration requirement.

The registration includes information on the offeror, including fit-and-proper evaluations of the key personnel and shareholders (or comparable owners) holding more than 10% of the shareholding or voting rights or comparable interests in the entity. The registration application must also include a description of the measures to ensure segregation of client assets and the entity’s proprietary assets, including sufficient levels of own capital and a description of the know-your-customer policies and marketing activities of the entity.

Offerors of crypto currencies (including crypto currency issuers) are also liable to report suspicious activities with respect to money laundering and terrorist financing. Crypto currency offerors are also obliged to maintain records and keep them available to e.g. the FFSA, the Customs Authorities and the law enforcement institutions.

To the extent that the crypto currency resembles transferable financial instruments, the issue and trade in crypto currencies is subject to Finnish securities markets law and the relevant regulations on the issuance and marketing of transferable securities rather than the Act on Offerors of Virtual Currencies.

7. What is the general application process for bank licenses and what is the average timing?

Credit institution licenses are approved by the ECB upon a decision proposal made by the FFSA. A written application to obtain a credit institution license must be addressed to the FFSA with supporting documents attached. The application to the FFSA is free of form and may be submitted in Finnish, Swedish or English. The Finnish Ministry of Finance has issued a detailed decree on the information and documents that must be submitted to the FFSA in connection with the application.

The FFSA is further responsible for granting licenses for:

- central bodies belonging to an amalgamation of deposit banks;
- local branches of third country licensed credit institutions; and
- mortgage credit institutions.

The credit institution license must be granted if the following prerequisites and specific conditions are met:

- All persons who, directly or indirectly hold at least 10% of the shares or other voting participations in the credit institution are considered reliable.
- The founders of the credit institution are reliable.
- The requirements regarding permitted business operations are fulfilled.
- The capital requirements are fulfilled.
- The applicant has sufficient financial resources and strategies to carry out the business activity of a credit institution.
- The organisation has its headquarters in Finland.
- The applicant fulfils the other requirements set out in the relevant legislation.

The FFSA must submit the decision proposal on the authorisation of a Finnish credit institution to the ECB within four months of receipt of the full and complete application. A decision must be announced within 12 months of receipt of the application.

The FFSA must be notified by way of a so-called passporting notification if a credit institution established in another EEA country intends to establish a branch in Finland or offer banking services into Finland on a cross-border basis. As a rule, a branch of a credit institution established within the EEA may commence its activity within two months of submitting such notification to the FFSA.

A non-EEA established credit institution may only provide services in Finland if it has established a branch in Finland and obtained a Finnish license for the services
offered. The laws and regulations applicable to a branch office of a non-EEA established credit institution generally correspond to those applicable to a Finnish credit institution. The FFSA must process the application within six months from receiving a full and complete application. A decision on the authorisation must be announced within 12 months of receipt of the application.

8. Is mere cross-border activity permissible? If yes, what are the requirements?

A duly licensed and supervised credit institution established in another EEA country may, upon notifying its local supervisory authority by way of a passporting notification, provide cross-border banking services into Finland without establishing a branch. Services may also be provided through a tied agent upon notification to the FFSA of the use of an agent. Non-EEA credit institutions may, as a rule, only provide services in Finland upon the establishment of a local branch or on a strict reverse solicitation basis if approached by the client in question. However, following Britain’s exit from the EU, the requirement to establish a Finnish branch were somewhat relaxed for credit institutions domiciled in former EU countries. Such credit institutions may upon application to the FFSA continue to provide licensable investment services and ancillary services on a cross-border basis to so called eligible counterparties and professional investors without establishing a local branch. Approval must be obtained from the FFSA before the provision of investment services may continue.

9. What legal entities can operate as banks? What legal forms are generally used to operate as banks?

Credit institutions may be organised as commercial banks, co-operative banks, savings banks, mortgage credit institutions or as branches of foreign credit institutions. Commercial banks are either public or non-public limited liability companies. Local banks are generally co-operative banks or savings banks, which typically operate in a limited geographic area. Mortgage credit institutions issuing covered bonds (i.e. bonds secured mainly by housing loans) are defined as credit institutions having the form of a limited company and engaged only in mortgage credit bank operations under a license granted by the FFSA.

Investment banks are generally investment firms organized as limited liability companies and authorised to provide investment services, engage in investment activities and provide any ancillary services as defined in the MiFID II and implemented by the Investment Services Act or fund management companies authorised to provide portfolio management and investment advice.

10. What are the organizational requirements for banks, including with respect to corporate governance?

Corporate governance arrangements and guidance systems of Finnish credit institutions must be sufficient in relation to the quality, scale and diversity of the business operations in order to ensure effective and prudent management of the institution, including the segregation of duties in the organisation and the prevention of conflicts of interest. The organisational structure must:

- be well defined, transparent and consistent with lines of responsibility;
- be effective to processes;
- identify, manage, monitor and report the risks they are or might be exposed to;
- maintain adequate internal control mechanisms, including sound administration and accounting procedures; and
- maintain remuneration policies and practices that are consistent with and promote sound and effective risk management.

Members of the management body must at all times be of good reputation and possess sufficient knowledge, skills and experience to perform their duties.

A credit institution must have a board of directors responsible for establishing an internal governance framework in the company. The board can set up various committees or other bodies to assist in fulfilling its tasks. The senior management, that is, the managing director and members of a management group, run the credit institution’s everyday operations. A management group is not a mandatory corporate body, but is recommended to assist the managing director. The management group can be either an advisory or a preparatory body.

The credit institution must be managed in a professional manner and in accordance with sound business practices. It must have an effective risk management system in order to avoid risks that could jeopardise the bank’s capital adequacy or liquidity. In supervising the bank’s corporate governance procedures, the FFSA currently pays particular attention to:

- the use of high professional and ethical standards in all business operations;
- the control and definition of the
responsibilities and powers within the company, and the identification of conflicts of interest;
- the existence of a strategy and business plan, as approved by the board of directors;
- whether the management is competent, fit and proper, and reliable;
- the independence of the board of directors in evaluating the operations of the company and of the managing director and other management;
- the composition of the management;
- the existence of effectively arranged internal control and risk management;
- internal audit arrangements;
- compliance with external rules and regulations, and internal guidelines;
- the existence of a duly organised remuneration system that does not encourage undesirable behaviour;
- the appropriate amount of personnel;
- the management of customer assets and data storage in a reliable and safely manner; and
- the procedures for handling customer complaints.

Institutions that qualify as systemically important institutions must establish a remuneration committee and a nomination committee composed of members of the management body who do not perform any executive function in the institution concerned.

Finally, credit institutions must have in place a system enabling secure reporting to the FFSA or criminal authorities of suspected infringements by the credit institution of anti-money laundering and other financial market provisions (a whistleblowing system).

11. Do any restrictions on remuneration policies apply?

The Finnish Act on Credit Institutions includes provisions on remuneration and sets out the general requirements for remuneration policies. A remuneration policy must be in line with the business strategy, objectives, values and long-term interests of the institution and its consolidation group. A remuneration policy must also be in line with the risk management of the credit institution and its consolidation group and must not encourage risk-taking that exceeds the level of tolerated risk of the credit institution.

The Act on Credit Institutions includes certain further provisions relating to the separation of fixed and variable compensations. Under MiFID II, credit institutions that provide investment services to clients must ensure that staff is not remunerated and their performance is not assessed in a way that conflicts with the duty to act in the best interests of the clients. EBA has further issued regulatory technical standards, guidelines and recommendations with respect to remuneration policies for staff members of credit institutions. The FFSA supervises the development of remuneration policies and market practice, and forwards information to the EBA in such matters.

The management is responsible for the supervision of the remuneration policies.

G-SIs and other systemically important institutions (O-SIs) must establish a remuneration committee that assists the board of directors in managing the remuneration policies and assisting with guidance decisions.

12. Has your jurisdiction implemented the Basel III framework with respect to regulatory capital? Are there any major deviations, e.g., with respect to certain categories of banks?

The Basel III requirements as to regulatory capital are included in Directive 2013/36/EU on capital requirements (Capital Requirements Directive IV) and the Capital Requirements Regulation (as amended in 2019 by the Capital Requirements Directive V and Capital Requirements Regulation 2). The Capital Requirements Directive IV was implemented in Finland through the enactment of the Finnish Act on Credit Institutions, which also mirrors the regulatory capital requirements of the Capital Requirements Regulations. The Capital Requirements Directive V was due to be implemented into Finnish law in January 2021, but has been subject to delays. The implementation of the so called Basel IV is also delayed on an EU level and is expected to take effect only in 2023.

When the sufficiency of own funds in relation to the total risk exposure cannot be assured, the FFSA may impose an additional own fund capital requirements for a maximum of three years at a time.

The minimum capital requirement for credit institutions is EUR 5 million.

In addition to the core capital and consolidated core capital a credit institution must, in accordance with the Capital Requirements Regulation, have an additional amount for additional capital requirements. The total additional capital requirement consists of:
• a fixed additional capital amount;
• a fluctuating additional capital amount;
• a fluctuating systemic risk buffer; and
• additional capital requirements imposed on G-SIs and O-SIs.

The fixed additional capital amount is 2.5% of the total risk weight. The maximum of the fluctuating additional capital amount is 2.5% of the total risk weight determined by the FFSA for each credit institution separately. The fluctuating systemic risk buffer is determined by the FFSA and set between 1-5% of the consolidated risk weight. A systemic risk buffer of up to 3% may be set if the systemic risk for Finnish credit institutions is higher than in other EU member states. The same may be done if it can be assessed on the basis of at least three indicators that the systemic risk in Finland is higher than the long-term average. A systemic risk buffer of between 3% and 5% may be set if the systemic risk is found to be clearly higher in Finland than in other EU member states, or clearly higher than the long-term Finnish average.

The maximum additional capital requirement for G-SIs is 3.5%, and for O-SIs up to 2% of the total risk weight.

13. Are there any requirements with respect to the leverage ratio?

The credit institution must have the methods in place to recognize, manage and follow up any excessive leverage risk and adhere to the leverage ratio requirements. The legal basis of the leverage ratio requirements is the Capital Requirements Regulation, as amended. The Capital Requirements Regulation sets out the calculation of the leverage ratio and the reporting requirements in relation to that ratio. The minimum leverage ratio of 3% must be met in June 2021. Currently Finnish banks have an average leverage ratio of 5.9%, with all banks exceeding the set minimum.

14. What liquidity requirements apply? Has your jurisdiction implemented the Basel III liquidity requirements, including regarding LCR and NSFR?

According to the Act on Credit Institutions the liquidity of a credit institution must be adequately safeguarded in relation to its operations. It is expressly prohibited for a credit institution to take a risk in its operations that would substantially endanger its liquidity. Credit institutions are required to set up effective and reliable strategies to identify, measure and manage liquidity risk.

The liquidity requirements applicable to credit institutions derive from the Capital Requirements Regulation, as amended and Commission Delegated Regulation (EU) 2015/62 with regard to the leverage ratio. Credit institutions must have sufficient liquid assets to cover liquidity outflows reduced with liquidity inflows to cope with liquidity stress and must maintain a certain liquidity coverage ratio (LCR). The current ratio is 100%.

NSFR is the second major liquidity-monitoring instrument next to the LCR. It is introduced by the Capital Requirements Regulation as a long-term structural ratio designed to address liquidity mismatches. It requires banks to maintain a stable funding profile in relation to their on- and off-balance sheet activities. The minimum level is currently set at 100% and will be applicable from June 2021.

15. Do banks have to publish their financial statements? Is there interim reporting and, if so, in which intervals?

Credit institutions and their financial holding companies must file their financial statements and annual reports, including the audit report and a written statement on the distribution of the profit/loss with the Finnish Trade Registry within two months from the approval of the balance sheet and profit and loss statement. Deposit banks are further generally liable to prepare an interim report in accordance with the Finnish Securities Markets Act covering the first six months of the financial period. The interim report must be published within two months from the end of the relevant financial period.

The documents filed with the Finnish Trade Registry are open to the public. The documents must also be publicly available from the place of business of the credit institution and the head office of the financial holding company within two weeks from the approval of the balance sheet and profit and loss statement. Copies must be forwarded within two weeks to the person requesting such copies. Copies must also be provided upon request of any affiliated credit institutions that are not liable to disclose their financial statements in accordance with Finnish law.

A credit institution shall further publish information concerning its profit ratio and financial position in accordance with the Capital Requirements Regulation and provide information in connection with its annual accounts on the operation of branches and subsidiaries.

Credit institutions are also subject to regular reporting requirements to the FFSA with respect to e.g. their own
funds, large exposures and financial information in accordance with the standardized EU regulatory reporting.

Credit institutions issuing securities admitted to trading on a regulated market are also subject to the regular and on-going disclosure requirements of the Finnish Securities Markets Act implementing Directive 2004/109/EC (as amended, the Transparency Directive) on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

16. Does consolidated supervision of a bank exist in your jurisdiction? If so, what are the consequences?

The requirements and regional dimension regarding supervision of a consolidated group are regulated by the Capital Requirements Regulation.

A consolidation group refers to a group comprising the parent company, which may be a Finnish or a foreign credit institution or financial holding company, together with its subsidiaries that are credit institutions, financial institutions or ancillary banking services undertakings. Credit institutions acting as the parent company of a consolidation group are subject to supervision by the FFSA on a consolidated basis with respect to risk management, exposures to clients, monitoring large exposures as well as restrictions on large holdings and possession of real estate. Consequently, financial ratios must be reported on a consolidated basis. A parent company of a consolidation group and the subsidiaries in the consolidation group must not take such a risk that would endanger the consolidated capital adequacy.

17. What reporting and/or approval requirements apply to the acquisition of shareholdings in, or control of, banks?

An acquisition of shares, participations or units, either directly or indirectly, in a credit institution resulting in a qualifying holding (i.e. at least 10% of its share or co-operative capital, investment share capital or basic fund, or which produces at least 10% of the voting rights carried by its shares or participations, or which holding otherwise entitles to exercise similar significant influence in the management of a credit institution) is subject to prior notification to the FFSA or the ECB as applicable under the SSM Regulation.

A similar notification obligation applies in cases where the holding in a credit institution is increased so that the proportion of the share capital, co-operative capital, investment share capital, basic fund or voting rights held reaches any of the thresholds of 20%, 30% or 50% of the same, or results in the credit institution becoming or ceasing to be a subsidiary of the acquirer. The same reporting requirement is triggered if the shareholding falls below any of the aforementioned thresholds. The contents of the notification are further regulated by government decree.

A credit institution or its financial holding company must notify the FFSA of the names of owners of holdings referred to above as well as of the sizes of such holdings at least once a year, and immediately communicate any changes in the ownership of such holdings that have come to its notice. If the shares of the credit institution are traded on a regulated market, the above information must also be disclosed to the European Securities and Markets Authority (ESMA).

The FFSA must render its decision or forward it to the ECB for approval within 60 days from having confirmed receipt of the notification. The FFSA or the ECB, as applicable, can object to the acquisition of the holding if the holding would endanger the business operations of the credit institution being carried out in accordance with prudent and sound business principles or if the acquirer fails to provide the regulators with any required information on the acquisition.

18. Does your regulatory regime impose conditions for eligible owners of banks (e.g., with respect to major participations)?

The holder that reaches a qualified holding of 10%, 20%, 30% or 50% must disclose information on his/her reliability and financial situation. The acquisition can be rejected, for example, if the holding may endanger the sound and prudential business operations of the credit institution, or there are grounded suspicions in relation to the reputation or financial standing of the acquirer, the reliability or suitability of the management of the credit institution or its financial position or regulatory supervision may be jeopardized as a result of the acquisition. Restrictions also apply if the acquisition triggers concerns with respect to money laundering and terrorist financing.

19. Are there specific restrictions on foreign shareholdings in banks?

No dissenting treatment is applied to foreign investments under Finnish law.
20. Is there a special regime for domestic and/or globally systemically important banks?

Specific criteria and regulation in respect of global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) exist. G-SIIs are defined as institutions whose insolvency can endanger the global financial markets. G-SIIs are defined at an international level by the International Financial Stability Board in consultation with the Basel Committee on Banking Supervision and national authorities. O-SIs are defined as credit institutions whose insolvency could have a highly negative impact on the entire financial system. The Act on Credit Institutions requires that the FFSA designates the O-SIs in Finland and the additional capital requirements to be imposed on them.

G-SIIs and O-SIIs are further subject to separate regulations on capital buffers and remuneration as set out above in questions 9 and 10.

21. What are the sanctions the regulator(s) can order in the case of a violation of banking regulations?

The FFSA may impose administrative sanctions in the form of penalty payments for example for the willful or negligent offering of services outside the scope of the applicable license of the credit institution, breaches against the transparency and reporting regulations and breaches against the governance, administration and remuneration provisions. When deciding upon the amount of the penalty payment, the FFSA takes into account the nature, scope and duration of the breach, profits gained or damage caused, cooperation with FFSA in investigating the matter, profits gained or damage caused, cooperation with FFSA in investigating the matter, previous breaches related to financial market provisions as well as any potential impact on financial stability.

A penalty payment may be imposed on a legal person and/or such member of the management who has significantly contributed to the act or omission. Penalty payments for legal entities can be imposed up to an amount equaling 10% of the annual turnover from the previous financial year, and for natural persons up to 10% of the annual income from the previous tax year, however not exceeding EUR 5 million.

The FFSA may also impose a conditional fine compelling the credit institution to observe an order issued by the FFSA.

Willful or grossly negligent offering of services without an applicable license is subject to criminal sanctions amounting to fines or imprisonment for up to one year.

22. What is the resolution regime for banks?

A credit institution may become subject to resolution under the Finnish Act on the Resolution of Credit Institutions and Investment Firms (1194/2014) (Resolution Act), implementing the amended EU Banking Resolution and Recovery Directive (BRRD). Directive (EU) 2019/879 (BRRD2) amending BRRD is currently in the process of being implemented into Finnish legislation.

The board of a credit institution must notify the FFSA without delay if it considers that the institution fulfils the criteria for placing it under resolution in accordance with the Resolution Act. The FFSA in turn must inform the Financial Stability Authority of the notification. On receipt of notification or after consulting with the FFSA, the Financial Stability Authority must assess whether the criteria for placing the institution under resolution are fulfilled. If the criteria are fulfilled, the Financial Stability Authority must make a decision on placing the institution under resolution. After the institution has been placed under resolution, the Financial Stability Authority will decide on measures regarding the institution’s activities, assets and liabilities, according to the terms of the Resolution Act. Resolution tools available to the Financial Stability Authority include, for example:

- write-downs and conversions of liabilities;
- sales of business; and
- bridge institutions and asset management vehicles.

The operations of a troubled Finnish deposit bank can be discontinued as provided for under the Act on the Temporary Suspension of the Operations of a Deposit Bank (1509/2001, as amended) (Suspension Act), which also implements the relevant provisions of Directive 2001/24/EC on the reorganisation and winding up of credit institutions (Credit Institutions Directive).

One of the main purposes of the Suspension Act is to provide the means for preventing the sudden and large withdrawal of deposits. When a deposit bank is evidently unable to meet its obligations, it must notify the Financial Stability Authority, the Bank of Finland and the FFSA without delay. Such notification is not required if the deposit bank has already made a notification under the Resolution Act.

The Financial Stability Authority can order the operations of the bank to be temporarily suspended for up to one month if it is evident that the continued operations...
would severely risk the stability of the financial markets, the undisturbed operation of payment systems or the benefit of the creditors. In addition, the Financial Stability Authority can, for special reasons, order the suspension to be continued for an additional period of one month at a time. The suspension period cannot, however, exceed six months in aggregate. The FFSA will appoint a representative to supervise compliance with the suspension order.

Once the operations of a deposit bank have been suspended, the bank must without delay draw up a plan indicating the manner in which the bank intends to reorganise its financial position or, in cases where such measures cannot be presented, the manner in which the bank intends to terminate its operations. If the bank fails to draw up the reorganisation plan within the given time or if the contemplated reorganisation measures are not deemed sufficient, the Financial Stability Authority must make a proposal to the FFSA.

A deposit bank cannot be declared bankrupt or ordered into liquidation while its operations are suspended. The processing of applications relating to bankruptcy or liquidation of the bank will be adjourned until the expiry of the suspension. While the operations of a deposit bank are suspended, the Financial Stability Authority can, however, apply to begin the administration procedure referred to in the Act on Company Administration (47/1993). This presupposes, among other things, an account of the preconditions for the administration proceedings or the consent of the bank and at least two creditors whose claims equal at least one-fifth of the bank’s known debts.

In general, the suspension triggers an automatic stay, providing the bank with general protection from its creditors, both secured and unsecured. Consequently, the bank cannot repay its debts and the creditors are prohibited from taking action to enforce their claims. This stay remains in force until the suspension expires. Therefore, the suspension means that the bank is, at the outset, prohibited from repaying any deposits. The suspension of operations can expire where:

- the deposit bank’s financial standing has improved so that the suspension is no longer necessary;
- administration proceedings for the deposit bank are commenced; or
- the maximum six-month period has lapsed without either of the two alternatives above occurring. In this case, the expiry is likely to be followed by bankruptcy.

With the exception of deposit banks under the above regime, credit institutions cannot be subject to administration or other rehabilitation proceedings.

23. How are client’s assets and cash deposits protected?

Deposits at deposit banks are protected by the deposit guarantee scheme of EU Directive 2014/49 as implemented by Finnish Act on the Financial Stability Authority (1195/2014). Client deposits are awarded a maximum deposit protection of EUR 100,000 at the relevant credit institution. Exceptions to the maximum deposit protection apply with respect to real estate transactions relating to private residential properties.

The deposit protection scheme is guaranteed by the Deposit Guarantee Fund, which is financed by deposit guarantee contributions raised from credit institutions. The individual contributions are determined on the basis of the amount of each credit institution’s covered deposits and risk level. The target level of the Deposit Guarantee Fund to be achieved by July 2024 is an amount equivalent to 0.8% of the total amount of covered deposits. If the assets of the Deposit Guarantee Fund are insufficient for the payment of compensation, the Financial Stability Authority may obligate deposit banks to pay an additional annual contribution or lend assets to the Deposit Guarantee Fund.

24. Does your jurisdiction know a bail-in tool in bank resolution and which liabilities are covered?

The liabilities of Finnish credit institutions may be subject to write-down or conversions subject to decisions by the Financial Stability Authority under the Resolution Act.

The Financial Stability Authority may also decide on the write-down of the nominal value or cancellation of shares/participation rights in the credit institution and the reduction and/or conversion of additional Tier 1 capital and/or Tier 2 capital into own funds (regulatory capital). The conversion order set out in the BRRD, as amended, must be observed. The same order of priority must be observed in the bail-in proceedings as in bankruptcy, subject to the provisions of Article 54 of the Capital Requirements Regulation.

25. Is there a requirement for banks to hold gone concern capital (“TLAC”)?

The liabilities of Finnish credit institutions may be subject to write-down or conversions subject to decisions by the Financial Stability Authority under the Resolution Act.

The Financial Stability Authority may also decide on the write-down of the nominal value or cancellation of shares/participation rights in the credit institution and the reduction and/or conversion of additional Tier 1 capital and/or Tier 2 capital into own funds (regulatory capital). The conversion order set out in the BRRD, as amended, must be observed. The same order of priority must be observed in the bail-in proceedings as in bankruptcy, subject to the provisions of Article 54 of the Capital Requirements Regulation.
The tighter capital requirements, creation of larger risk contributions to weakening conditions for financial stability. The negative economic effects of the pandemic will also be foreseen the economy will grow by 2.7% in 2021 and by 2.4% in 2022. There is still a great deal of uncertainty about the future of the pandemic and the global economy. 

2.4% in 2022. There is still a great deal of uncertainty about the future of the pandemic and the global economy. The economic downturn in 2020 proved to be smaller than previously assumed and according to recent forecasts the economy will grow by 2.7% in 2021 and by 2.4% in 2022. There is still a great deal of uncertainty associated with the Covid-19 crisis, but it is clear that the crisis will have a long-term impact on the economy. The negative economic effects of the pandemic will also contribute to weakening conditions for financial stability.

The tighter capital requirements, creation of larger risk buffers and asset quality review may continue to drive smaller banks to phase out certain consumer services and consider domestic and cross-border consolidation options, creating larger and possibly more stable entities at the expense of local presence. The Nordic banking environment is already largely concentrated and interconnected. Any substantial risks affecting the financial stability in one Nordic country are likely to rapidly affect the ability of all credit institutions in the Nordics to raise funding.

On a national level, some characteristics of the Finnish financial system point at an increase in structural systemic risks. Household indebtedness and fluctuations in real estate prices have been of increasing concern for Finnish consumers and the Finnish banking industry at large. Household indebtedness relative to disposable income rose to a record high level (129.4%) in the first quarter of 2020. The margin rates on mortgages granted by Finnish banks are currently among the lowest in the EU and interest rates on loans have remained low for over a decade. The housing market, together with rising levels of consumer credit, forms a major risk concentration for Finnish credit institutions. Further, the Finnish credit institution sector is significant in terms of intermediating financing – large in size and concentrated – and is dependent on international market financing.

Credit institutions are further facing the challenges of digitalisation and cyber security, as well as legal pressure to create interfaces with payment service providers, forcing banks to adapt their business models to the changing digital environment and cyber crime and increase spending on information technology. Traditional credit institutions are forced to compete with innovative payment methods while at the same time preserving the access to basic banking services. Investments in fintech and ‘big data’ solutions are likely to present risks in an environment where there is no clear market leader or established operator.

Shadow banking operations, including investment funds and their managing companies, alternative credit providers and peer-to-peer lending mechanisms may also provide financing services at a lower cost and subject to more lenient regulatory requirements, consequently attracting some of the business that has traditionally been provided by credit institutions.

Finally, climate change will increase the financial sector’s exposure to material risks such as economic loss caused by extreme weather, resulting in higher settlements of covered losses by insurance companies and growing credit risks due to material losses. The value and use of property as collateral will be affected by its geographical location and the regional impact of climate change.

26. In your view, what are the recent trends in bank regulation in your jurisdiction?

Recent trends in banking regulation consist of a shift from locally enacted legislation to direct application of EU Level 2 regulations or direct references to EU legislation in national law. Increased cooperation within the SSM and direct reliance on EBA guidance has also increased regulatory harmonization within the EU. The full implementation of the EU banking union, including the proposed common European deposit insurance scheme, will continue to shape the legislation with respect to co-operation in crisis management and the recovery and resolution of credit institutions. Financial stability and the implementation of the CRD V/CRR II and BRRD 2 reform will continue to be topical in 2021.

ESG and green finance is rapidly growing in the Nordic countries. The efforts to create a common EU taxonomy and common practices in green finance are likely to increase interest in sustainable finance.

Brexit – the UK’s exit from the European Union – impacted the regulation of cross-border activities and local Finnish branches of UK financial institutions. Operative functions of EU credit institutions will be under closer scrutiny to prevent excessive outsourcing of functions to non-licensed UK entities.

27. What do you believe to be the biggest threat to the success of the financial sector in your jurisdiction?

The most significant international threats to financial stability in Finland are related to the global economy, the global securities markets, the sustainability of sovereign debt and problems related to the banking sector in the euro area.

The economic downturn in 2020 proved to be smaller than previously assumed and according to recent forecasts the economy will grow by 2.7% in 2021 and by 2.4% in 2022. There is still a great deal of uncertainty associated with the Covid-19 crisis, but it is clear that the crisis will have a long-term impact on the economy. The negative economic effects of the pandemic will also contribute to weakening conditions for financial stability.

The tighter capital requirements, creation of larger risk buffers and asset quality review may continue to drive
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