

Please note: This is an unofficial translation. Amendments up to 135/2007 included, May 2007.

Act on Investment Firms 26.7.1996/579

CHAPTER 1

General provisions

Section 1

Scope of application

This Act shall apply to the provision of investment services on a professional basis as a regular business.

The provision of services solely for another party with a legal obligation to keep books and belonging to the same group shall not be considered provision of investment services.

An undertaking providing investment services only for the management of employee-participation schemes is governed by the Personnel Fund Act (814/1989). Activity by which the public is offered a chance to participate in joint securities investments is governed by the Act on Common Funds (481/1999). The right of an insurance company to provide investment services is governed by the Act on Insurance Companies (1062/1979). (2 April 2004/226)

This Act shall not apply to the Finnish State Treasury or the Bank of Finland.

The provisions of the Act on Credit Institutions (1607/ 1993) shall be applied to investment firms to the extent provided for by this Act. (19.12.1997/1347)

Section 2 (28.12.2001/1521)

Scope of application

The target of the investment service (*the investment target*) may be a security referred to in the Securities Markets Act (495/1989) as well as a standardised derivatives contract referred to in chapter 1, section 2 of the Act on Trade in Standardised Options and Futures (772/1988), a comparable standardised derivatives contract or another derivatives contract.

Section 3

Investment services

An investment service shall refer to:

1) the purchase, sale, exchange and subscription of investment targets in one's own name on behalf of another as well as the brokerage or execution of orders for investment targets (*securities brokerage*); (28.12.2001/1521)

- 2) the submission and publication of binding bids and offers in investment targets continuously or on request under a contract concluded with a stock exchange or an operator of other public trade referred to in the Securities Markets Act, an option exchange referred to in the Act on Trade in Standardized Options and Futures, the Bank of Finland or an issuer of a security as well as trade based on such contracts in one's own name in a stock exchange, an option exchange or in another public trading place referred to in the Act on Securities Markets (*a market-making*);
- 3) the submission of binding bids and offers in investment targets and publication, marketing or other notification to the investors of binding or referential bids or offers as well as trading in them on one's own account (*securities dealing*);
- 4) the issue of subscription commitments in connection with the issue of a security or the conclusion of a derivatives contract (*underwriting*);
- 5) management of investment targets under a client-specific contract in which decision-making power has in full or in part been granted to the contractor (*asset management*); (2.4.2004/226)
- 6) acquisition of subscribers for investment targets or arrangement of said subscriptions (*emission arrangement*).

Transmission of orders, where the party who has received the order and transmitted it to an investment firm or a credit institution reveals the personal data of its client in connection with the transmission, operates under full responsibility of an investment firm or a credit institution, or does not hold the securities, assets or other property of its client, shall not be considered securities brokerage referred to in paragraph 1 above.

Operations carried out in an incidental manner in the course of another occupation or profession recognised by the law and operated in compliance with the relevant legislation or supplementary provisions and regulations shall not be considered provision of investment services referred to in subsection 1. Nor shall operations carried out in the course of an occupation or profession recognised by the law and carried out only in securities referred to in chapter 1, section 2, subsection 2 of the Securities Markets Act be considered the provision of investment services referred to in paragraph 1. Nor shall the provision of derivatives contracts solely based on commodities by organisations that carry out trade in such derivatives contracts on their own behalf in an option corporation or with other such organisations or with the providers or professional users of such commodities nor the provision of derivatives contracts based on commodities solely for a purpose other than investment be considered the provision of investment services referred to in subsection 1. (28.12.2001/1521)

Section 4 (2.4.2004/226)

Provision of investment services

Investment services may be provided only by the following belonging to an Investor Compensation Fund, hereinafter the Fund:

- 1) a Finnish limited company that has been granted an authorisation to provide investment services (*investment firm*);
- 2) a Finnish credit institution in accordance with the Act on Credit Institutions; and

3) a Finnish management company that has been granted the authorisation referred to in section 5, subsection 2 of the Act on Common Funds.

The right of a foreign investment firm to provide investment services and its membership in the Compensation Fund are governed by the Act on the Right of a Foreign Investment Firm to Provide Investment Services in Finland (580/1996). The right of a foreign credit institution and financial institution to provide investment services and its membership in the Compensation Fund are governed by the Act on the Operation of a Foreign Credit Institution and Financial Institution in Finland (1608/1993). The right of a foreign management company to provide investment services and its membership in the Compensation Fund are governed by the Act on the Operation of a Foreign Management Company in Finland (225/2004).

Section 5

Definitions

A credit institution shall refer to a corporation referred to in section 2, paragraph 1 of the Act on Credit Institutions.

A financial institution shall refer to a corporation referred to in section 3 of the Act on Credit Institutions.

A holding company shall refer to a financial institution whose subsidiaries are mainly investment firms or other financial institutions and at least one of whose subsidiaries is an investment firm.

A group, a parent undertaking and a subsidiary shall refer to a group, a parent undertaking and a subsidiary as referred to in the Accounting Act (655/1973).

In this Act a service firm shall mean a firm whose main activity is to produce services for one or several investment firms by owning, possessing or managing real estates or to produce services relating to data processing or other corresponding services relating to the main activities of an investment firm to one or several investment firms. (19.12.1997/1347)

The Financial Supervision Authority shall, after having learned that an undertaking other than a credit institution or investment firm has become the parent company of a credit institution, make without delay a decision on whether the company shall be deemed a holding company referred to in subsection 3. (9.2.2007/135)

Section 6 (9.2.2007/135)

Consolidation group

A *consolidation group* shall in this Act mean a group comprising the parent company of a 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 or ancillary services undertakings (*subsidiary of a consolidation group*). A group, a parent company and a subsidiary shall in this Act 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.

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 provided for separately in section 31 and in section 72 of the Act on Credit Institutions.

Section 6 a (5.12.1996/950)

Significant engagement

A significant engagement shall, in this Act, be governed by the provisions of section 4 a of the Act on Credit Institutions.

Section 7

Trade name

Only an investment firm complying with this Act may use the term "securities intermediary" or "banker" in its trade name or otherwise to indicate its activity.

Section 8

Supervision

Compliance with this Act and provisions issued thereunder by the authorities shall be supervised by the Financial Supervision Authority.

Paragraph 2 repealed by Act of 10.7.1998/518.

CHAPTER 2

Establishment and ownership of an investment firm

Section 9 (27.6.2003/596)

Authorisation

The Financial Supervision Authority shall grant the authorisation of an investment firm upon application. The account to be appended to an application for an authorisation shall be governed by a Decree of the Ministry of Finance.

Section 10 Granting of an authorisation

An authorisation shall be granted to a Finnish limited company if, on the basis of an account obtained on the reliability, good repute, experience and other suitability of the shareholders, persons corresponding to shareholders under chapter 2, section 9 of the Securities Markets Act as well as of at least two persons attending to the management and taking into account the intended extent of the operations of the applicant it is possible to make sure that the investment firm will be managed professionally and in accordance with sound and prudent business principles. It is a further condition for the granting of the authorisation that the company has its registered office in Finland, reliable management, sufficient financial operating conditions and that it fulfils the other requirements set in this Act, unless, on the basis of the account obtained, it can be considered likely that the significant close connection between the investment firm and another legal entity or natural person or the provisions and administrative orders of a State outside the European Union to be applied to such close connection prevent the efficient supervision of the investment firm. The authorisation may be granted also to an investment firm being established before its registration.

If an investment firm belongs to a consolidation group which, under section 6, subsection 5, is not governed by the laws of Finland, another precondition for the granting of the authorisation is that it can be ascertained that the foreign authority has sufficient competence to supervise the entire consolidation group in a manner comparable to this Act or that the belonging of the investment firm to such consolidation group will not otherwise endanger the stability of the operation of the investment firm. The belonging of an investment firm to a consolidation group referred to in this subsection shall be deemed to endanger the stability of the operation of the investment firm unless it can be proved that the consolidated solvency, consolidated large exposures, the internal supervision of the consolidation group and its risk-management methods as well as the suitability and reliability of the owners and the management of the holding company comply with the requirements of this Act. The provisions of this subsection on a consolidation group shall correspondingly be applied to a financial and insurance conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates (699/2004), which, under section 6 of the said Act, is not governed by the laws of Finland. (30.7.2004/705)

The application shall be decided within six months from receipt thereof or, if the application has been defective, from the date on which the applicant has submitted the documents and accounts necessary for deciding the issue. However, a decision on an authorisation shall always be made within 12 months from receipt of the application. If the decision is not issued within the period laid down, the applicant may file an appeal. The appeal shall, in that case, be deemed to concern a rejecting decision. Such appeal may be made until the decision has been issued. The Financial Supervision Authority shall notify the appeal authority of the issuing of the decision if the decision is issued after the filing of the appeal. The provisions of the Administrative Judicial Procedure Act (586/1996) shall otherwise, where applicable, be applied to the filing and handling of the appeal referred to in this subsection.

The Financial Supervision Authority shall, before deciding on the issue, request a statement of the Investor Compensation Fund on the application.

If the organisation applying for an authorisation is a subsidiary of an investment firm, a credit institution or an insurance company authorised in another State belonging to the European Economic Area or a subsidiary of a parent company of such investment firm, credit institution or insurance company, an opinion of the relevant supervisory authority of that State 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 referred to in this subsection, 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. (30.7.2004/705)

Unless otherwise ordered in the terms of the authorisation, an investment firm may start its operations as soon as the authorisation is granted and, if the authorisation is granted to an undertaking to be established, after the investment firm is registered.

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 State belonging to the European Economic Area and which is aiming to transfer its registered office to Finland in accordance with section 8. The Financial Supervision Authority shall, in addition, request an opinion of the authority supervising the securities markets of the State in question 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 an SE in Finland. (30.7.2004/705)

Section 10 a (13.8.2004/754)

Notification of the authorisation for registration

The Financial Supervision Authority shall notify the authorisation for registration and notify the Investor Compensation Fund of the authorisation. The authorisation granted to an undertaking to be established and a European company transferring its registered office to Finland shall be registered simultaneously with the registration of the undertaking.

Section 11 (27.6.2003/596)

Terms of an authorisation

The authorisation shall indicate the investment services referred to in section 3 which the investment firm may provide. The authorisation shall also indicate the services referred to in section 16 which the investment firm may provide in addition to investment services. The Financial Supervision Authority may, after the granting of an authorisation, amend the authorisation at the request of the investment firm to the extent provided for in this subsection.

After hearing the applicant for an authorisation, the Financial Supervision Authority may include in the authorisation restrictions and terms relating to the business operations of the investment firm and necessary for its supervision.

Section 12

Withdrawal of an authorisation and restriction of operations

The Financial Supervision Authority may withdraw the authorisation of an investment firm if: (27.6.2003/596)

- 1) its operations have essentially violated an Act, Decrees or orders issued thereunder by the authorities, the terms of the authorisation or the Articles of Association;
- 2) it has not been operating for six months; 3) the conditions for the granting of the authorisation no longer exist;
- 4) its operations or part thereof have not been started within 12 months from the granting of the authorisation; or if
- 5) misleading information has been given when applying for the authorisation.

The Financial Supervision Authority may restrict the operations of an investment firm as referred to in its authorisation for a fixed period of time if the situation has not been remedied within the said period, amend the terms of the authorisation after the end of the period in order permanently to restrict its operations if incompetence or carelessness has been observed in the operations and if it is evident that the continuation of the operations is likely seriously to damage the stability of the securities markets or the position of investors. (27.6.2003/596)

Subsection 3 repealed by Act 27.6.2003/596.

When deciding on the withdrawal of the authorisation of an investment firm, the Financial Supervision Authority may simultaneously order the claims of the investors to be paid from the assets of the Investor Compensation Fund as provided for in chapter 6. (27.6.2003/596)

The Financial Supervision Authority shall notify the withdrawal of the authorisation for registration and also notify the Investor Compensation Fund thereof. (27.6.2003/596)

When withdrawing the authorisation of an investment firm that operates also in another State belonging to the European Economic Area or when restricting the operations of such an investment firm as referred to in its authorisation, the Financial Supervision Authority shall notify the supervisory authority of the State in question of its decision. (27.6.2003/596)

Section 12 a (25.1.2002/48)

Prohibition of co-management of an investment firm and an insurance company

The Managing Director of an investment firm or his deputy may not act as Managing Director or his deputy of an insurance company belonging to the same group as the investment firm or to a conglomerate referred to in the Act on the Supervision of Financial or Insurance Conglomerates.

The majority of the members and deputy members of the Board of Directors of an investment firm shall be persons not acting as members or deputy members of the Board of Directors of an insurance company referred to in subsection 1 or as Managing Director or his deputy unless an exemption therefrom is granted by the Financial Supervision Authority.

Section 12 b (27.6.2003/596)

Management of an investment firm and a holding company

The Board of Directors and the Managing Director of an investment firm shall manage the investment firm with professional skill as well as in accordance with sound and prudent business principles. The members and deputy members of the Board of Directors as well as the Managing Director and Deputy Managing Director shall be trustworthy persons who are not bankrupt and whose capacity has not been restricted. The members and deputy members of the Board of Directors as well as the Managing Director and the Deputy Managing Director shall also possess such general knowledge of investment activity as is deemed necessary with regard to the nature and scope of the operations of the investment firm. (30 July 2004/705)

A person referred to in subsection 1 shall not be deemed trustworthy if he has, with a final judgement, been sentenced to imprisonment within the last five years or to a fine within the last three years for a crime which can be deemed to indicate that he is manifestly unsuitable as a member or deputy member of the Board of Directors or as Managing Director or Deputy Managing Director of an investment firm. (30 July 2004/705)

The Financial Supervision Authority may, for a fixed period of time not exceeding five years, prohibit a person from acting as a member or deputy member of the Board of Directors or as a Managing Director or Deputy Managing Director of an investment firm if:

- 1) the person, in attending to his duties, has shown clear incompetence or carelessness and if it is evident that this may seriously damage the stability of the business operations of the investment firm, the position of investors or the interests of the creditors; or if
- 2) he no longer fulfils the requirements provided for in subsection 1. (30 July 2004/705)

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

The provisions of subsections 1-4 shall correspondingly apply to a holding company.

Section 13 (31.1.2003/70)

Minimum capital

The share capital of an investment firm shall be at least EUR 730,000 unless otherwise provided for below.

The share capital of an investment firm that may only provide investment services referred to in section 3, subsection 1 (1), (5) and (6), shall be at least EUR 125,000. If an investment firm engaged in operations referred to in this subsection is also engaged in operations referred to in section 16, subsection 2 (5), the share capital shall, however, be at least EUR 730,000.

The share capital of an investment firm that is only engaged in operations referred to in section 16, subsection 2 (1), (3) and (4), shall be at least EUR 5 million.

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

Section 14

Notification of the acquisition of shares and participations (25.1.2002/48)

Anyone who intends, directly or indirectly, to acquire a holding in an investment firm or a holding company which is at least 5 percent of its share or co-operative capital or which produces at least 5 percent of the voting rights carried by its shares or participations, shall notify the Financial Supervision Authority of the acquisition in advance. (25.1.2002/48)

If a holding referred to in subsection 1 is increased so that it increases into at least 20, 33 or 50 percent of the share or co-operative capital or carries voting rights of at least the same amount or so that the investment firm or holding company becomes a subsidiary, the Financial Supervision Authority shall also be notified of the acquisition. (31.1.2003/79)

In calculating the portion of the holding and voting rights referred to in subsections 1 and 2, the provisions chapter 1, section 5 and chapter 2, section 9, subsections 1 and 2 of the Securities Markets Act shall be applied. (29.1.1999/106)

The notification referred to in subsections 1 and 2 shall also be made when the portion of the holding falls below the thresholds laid down in subsections 1 and 2. (25.1.2002/48)

The investment firm and the holding company shall notify the Financial Supervision Authority of the names of the owners of holdings referred to in subsections 1 and 2 as well as of the sizes of such holdings at least once a year as well as immediately communicate any changes in the ownership of such holdings known to it. (25.1.2002/48)

The notifications shall include sufficient information on the size of a holding and its holders as well as other information ordered by the Financial Supervision Authority.

The notification referred to in this section need not be made if the holding in an investment firm or a holding company is acquired indirectly by acquiring shares in the holding company of a conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates and a notification of the said acquisition has been made to the Insurance Supervisory Authority. (25 January 2002/48)

Section 15 (25.1.2002/48)

Objection to an acquisition

The Financial Supervision Authority may, within three months from receipt of a notification referred to in section 14, object to the acquisition of the holding if, on the basis of the information obtained on the reliability or suitability of the holders or otherwise, it is likely that the holding would endanger the business operations of the investment firm or its consolidation group being carried out in accordance with sound and prudent business principles.

If an acquisition is not notified or if a holding is acquired despite the objection of the Financial Supervision Authority, the Financial Supervision Authority may forbid the entry in the share register and shareholder register or in the list of members of the title relating to the shares and participations acquired by a shareholder or holder of a participation. If, after the acquisition, the Financial Supervision Authority notes that the holding seriously endangers the operations of the investment firm or its consolidation group being carried out in accordance with sound and prudent business principles,

the Financial Supervision Authority may demand that an entry relating to the title to the shares or participations made in the share register or shareholder register or in the list of members be declared void for a fixed period not exceeding one year at a time.

If the acquisition results in the investment firm becoming a subsidiary of a credit institution, an investment firm or an insurance company authorised in another State belonging to the European Economic Area or a subsidiary of a parent company of such credit institution, investment firm or insurance company, an opinion of the relevant supervisory authority of that State shall be requested on the acquisition. The same procedure shall apply if control in the investment firm is transferred to the same natural or legal persons that exercise control over a credit institution, investment firm or insurance company referred to above.

Section 15 a (5.12.1996/950)

Notification of a significant engagement

An investment firm may not commence its operations as referred to in its authorization before it has submitted to the Financial Supervision Authority an account of the significant engagements referred to in section 6 a between the investment firm and another legal person or a natural person.

The Financial Supervision Authority shall, without a delay, be notified of any changes in the information referred to in paragraph 1 above.

Section 15 b (25.1.2002/48)

Acquisition of control in an undertaking outside the European Economic Area

An investment firm or an undertaking belonging to its consolidation group may not acquire a dominant influence referred to in chapter 1, section 5 of the Accounting Act (1336/1997) in a credit institution, investment firm, management company or insurance company whose registered office is in a State outside the European Economic Area unless the undertaking has notified the Financial Supervision Authority thereof in advance or if the Financial Supervision Authority, upon receipt of the notification, has forbidden the acquisition within the period of time provided for in subsection 2. (30 July 2004/705)

The Financial Supervision Authority may, within three months from receipt of the notification referred to in subsection 1, forbid the acquisition referred to in subsection 1 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.

The notification referred to in this section need not be made if the undertaking referred to in subsection 1 belongs to a conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates and a corresponding notification has been made to the Insurance Supervisory Authority.

CHAPTER 3

Operations of an investment firm

Section 16 (31.1.2003/70)

Business activity

In addition to providing investment services referred to in section 3, an investment firm may, subject to the terms of its authorisation:

- 1) grant customers credit or other financing relating to investment services;
- 2) provide undertakings with advice relating to capital structure, operating strategy and other related issues as well as advice relating to company mergers and acquisitions and related services;
- 3) provide services related to share issues and issue guarantees;
- 4) provide investment and financial advice relating to investment targets;
- 5) provide other custody and management services than those referred to in section 3, subsection 1 (5) as well as safety deposit-box services;
- 6) provide currency services relating to investment services.

In addition, an investment firm may, subject to the terms of its authorisation, 1) accept re-payable funds from a customer to an account in connection with investment services notwithstanding the provisions of the Act on Credit Institutions and the provisions of section 52 of this Act;

- 2) arrange public trading in investment targets as provided for in the Securities Markets Act;
- 3) operate as an account management organisation or its agent as provided for in the Act on the Book-Entry System (826/1991);
- 4) act as a clearing party as provided for in the Securities Markets Act;
- 5) administer the tasks of a holding company as provided for in the Act on Common Funds;
- 6) provide other investment and financial advice that that referred to in this section; as well as
- 7) provide other activities closely comparable to activities referred to in this section.

The Financial Supervision Authority may issue further regulations on the procedure to be applied in the provision of services referred to in this section.

Section 16 a (19.12.1997/1347)

Financing of the acquisition and acceptance as collateral 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 own shares and participations and the shares and participation of the parent company or to accept them as collateral only subject to restrictions provided for in paragraphs 2 and 3. Depositing a

security for the payment of a loan referred to above from the funds of the investment firm or an undertaking belonging to its consolidation group shall be considered comparable to granting a loan.

An investment firm and an undertaking belonging to its consolidation group may, unless provided otherwise in paragraph 3, notwithstanding the provisions of chapter 13, section 10, paragraph 1 of the Companies Act (624/2006) as well as of section 34, paragraph 3 of the Promissory Notes Act (622/1947), grant a loan for the acquisition of own shares and participations or the shares and participations of the parent undertaking and accept them as collateral if they are listed or market securities referred to in chapter 1, section 3 of the Securities Markets Act and if the granting of a loan and accepting of collateral belongs to the usual business operations of the investment firm or of the undertaking belonging to its consolidation group and if the loan is granted or the collateral accepted under normal terms complied with in the operations of the investment firm. (21.7.2006/650)

An investment firm and an undertaking belonging to its consolidation group may accept as collateral own shares and participations or shares and participations of the parent undertaking for the financing of a loan granted for their subscription at the most in an amount which corresponds in its nominal value to 10 percent of the restricted capital of the undertaking that has granted the loan or, if the shares or participations of the parent undertaking of the undertaking that has granted the loan have been accepted as collateral, that of the parent undertaking.

The provisions of this paragraph on own shares and participations and the shares and participations of a parent undertaking shall correspondingly be applied to capital investments, capital loans, debentures and other commitments issued by an undertaking or its parent undertaking which are subordinate to the other debts of the issuer.

Section 16 b (31.1.2003/70)

Place of business and use of an agent

An investment firm shall have at least one permanent place of business for its operations. It can also carry out its activities at other places of business. An investment firm may carry out its operations also through an agent if the use of the agent does not harm the risk management and internal supervision of the investment firm nor other attendance to the business operations of the investment firm.

When an investment firm entrusts its business operations to be attended to by an agent, it shall ensure that the agent keeps the investment firm at all times informed of the information necessary for the supervision of the investment firm by the authorities, risk management and internal controls as well as that the investment firm may forward this information to the Financial Supervision Authority.

An investment firm that intends to engage in business operations with another party than an agent belonging to the same consolidation group as the investment firm or to the same consortium as referred to in the Act on Co-operative Banks and other Credit Institutions in the Form of a Co-operative (1504/2001) shall notify the Financial Supervision Authority thereof before entrusting its operations to an agent. A notification need not be made if the business operations are attended to by an agent to a minor degree only. The Financial Supervision Authority shall be notified of any significant changes in the contractual relationship between the investment firm and the agent. The Financial Supervision Authority shall issue further orders on the contents of the notification as well as on situations in which the business operations carried out through an agent may be deemed minor.

Section 17

Establishment of a branch in a State belonging to the European Economic Area

An investment firm that intends to establish a branch in another State belonging to the European Economic Area shall notify the Financial Supervision Authority thereof well in advance. The notification shall be accompanied by sufficient information requested by the Financial Supervision Authority on the intended activity as well as on the administration and management of the branch.

The Financial Supervision Authority shall within three months from receipt of the notification referred to in paragraph 1 either notify the supervisory authority of the relevant State corresponding to the Financial Supervision Authority and the investment firm in question of the establishment of the branch as well as attach to the notification the information referred to in paragraph 1 as well as the information on the cover scheme intended to protect the investors of the branch or the lack thereof or decide not to file such a notification if it notices that, taking into consideration the financial situation and management of the investment firm, the establishment of the branch is not justified. A branch may not be established if the Financial Supervision Authority has refused to file the notification. (10.7.1998/518)

Should the information referred to above in paragraph 1 change, the investment firm shall notify the Financial Supervision Authority of the changes at the latest one month prior to the intended implementation of the changes. In that case, the Financial Supervision Authority may take the measures referred to above in paragraph 2.

Section 18 (27.6.2003/596)

Establishment of a subsidiary in a State outside the European Economic Area

An investment firm that intends to establish a subsidiary in a State other than one referred to in section 17 shall apply for an authorisation to establish the subsidiary from the Financial Supervision Authority. The authorisation shall be granted if sufficient supervision of the subsidiary can be arranged and if the establishment of the subsidiary, taking into account the management of the investment firm and its financial situation, is not likely to endanger the operations of the investment firm. A statement of the Bank of Finland shall be requested on the application for an authorisation. After hearing the applicant for the authorisation, the Financial Supervision Authority may include in the authorisation restrictions and terms relating to the business operations of the subsidiary necessary for the supervision.

The accounts to be appended to an application for an authorisation shall be governed by a Decree of the Ministry of Finance.

Section 19 (27.6.2003/596)

Termination of a foreign branch

If an investment firm does not fulfil the requirements of sections 17 and 18, the Financial Supervision

Authority may set a fixed period of time for the remedy of the situation and, unless the requirement is fulfilled within the set period of time, apply, where applicable, the provisions of section 12.

Section 19 a (10.7.1998/518)

Compensation-fund cover

An investment firm shall notify the Financial Supervision Authority of the manner in which the claims of investors of its branch in another State than Finland have been protected.

Section 20

Provision of services to another State

An investment firm that intends to start the provision of investment services referred to in section 3 or services referred to in section 16 within the territory of another State without establishing a branch shall notify the Financial Supervision Authority well in advance of the services it intends to provide as well as of the place and the manner in which they shall be provided. A notification shall be submitted also if this information changes.

The Financial Supervision Authority shall, within one month from the receipt of the notification referred to in paragraph 1 communicate the information to the supervisory authority of a State belonging to the European Economic Area corresponding to the Financial Supervision Authority accompanied with its own statement on whether the investment firm is entitled under its authorization to provide these services in Finland.

Section 20 a (13.8.2004/754)

Transfer of the registered office to another State belonging to the European Economic Area

If an investment firm intends to transfer its registered office to another State belonging to the European Economic Area as provided for in Article 8 of Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE), hereinafter the European company regulation, the investment firm shall submit to the Financial Supervision Authority a copy of the transfer proposal and report referred to in Article 8, paragraphs 2 and 3 of the European company regulation immediately after the investment firm has publicised 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 the Act on the Operations of a Foreign Investment Firm in Finland.

The registration authority may not issue a certificate referred to in section 9, subsection 5 of the Act on European companies (742/2004) if the Financial Supervision 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 operations in Finland or the termination of operations. The permission may be given one month prior to the due date referred to in chapter 6, section 6, subsection 2 of the Companies Act only if the Financial Supervision Authority has notified that it does not oppose the transfer of

registered office. (21.7.2006/650)

Section 20 b (13.8.2004/754)

Participation in the forming of a foreign SE by means of a merger

If the investment firm participates in a merger referred to in Article 2 (1) of the SE Regulation, the registration authority may not issue a certificate relating to such merger, referred to in section 4 (3) of the Act on European Companies (4/2004), if the Financial Supervision 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 merger or the termination of operations in Finland. The permission may be given one month prior to the due date referred to in chapter 6, section 6, subsection 2 of the Companies Act only if the Financial Supervision Authority has notified that it does not oppose the transfer of registered office. (21.7.2006/650)

If the investment firm to be registered in another State intends to continue providing investment services in Finland after the merger, it shall be governed by the provisions of the Act on the Operations of a Foreign Investment Firm in Finland.

Section 20 c (13.8.2004/754)

Compensation Fund clarification

If the registered office of an investment firm is transferred to another State or if, in a merger, the receiving company is registered in another State, the investment firm shall draw up a clarification of the investor compensation scheme (*compensation-fund clarification*) explaining the arrangements relating to the investor compensation fund 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 Supervision Authority on the compensation-fund clarification. The request for a statement shall be appended with the additional accounts ordered by the Financial Supervision Authority.

If the claims of investors covered by the compensation fund referred to in section 38 remain, after the measure, in full or in part outside the cover afforded by the investor-compensation scheme, the investment firm shall notify the investors of the measure no later than three months prior to the date set for creditors by the registration authority under chapter 6, section 6 of the Companies Act. The compensation-fund clarification and a copy of the statement of the Financial Supervision Authority shall be appended to the notification. The notification shall indicate the right of the investor to give notice under subsection 3. (21.7.2006/650)

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, give notice to terminate his contract with the investment firm relating to services referred to in section 38, subsection 1.

The duty of the investment firm to notify in connection with a measure referred to in subsection 1 shall otherwise be governed by the provisions of section 46.

CHAPTER 4 Annual accounts and auditing

Section 21 (9.2.2007/135)

Annual accounts, annual report and interim report

The annual accounts, annual report, interim report and annual statement shall be governed by the provisions of sections 146—157 of the Act on Credit Institutions.

Sections 22–25

Repealed by Act of 19.12.1997/1347.

Section 26 (19.12.1997/1347)

Audit as well as special audit and an auditor

The provisions of the Accounting Act (936/1994) and of sections 42-44 of the Act on Credit Institutions shall apply to the audit and auditors of an investment firm as well as to the ordering of a special audit and the appointment of an auditor.

Sections 27–28

Repealed by Act of 19.12.1997/1347.

CHAPTER 5 Solvency and risk management

Sections 29–30

Repealed by Act of 9.2.2007/135.

Section 31 (9.2.2007/135)

Supervision of the financial position

An investment firm shall be governed by the provisions of chapters 5 and 6 of the Act on Credit Institutions (121/2007) with the exception of sections 44, 53, 66, 71, 80 and 81 of the said Act. In applying section 55 of the said Act, section 13 of this Act shall be applied instead of section 44 referred to therein.

The provisions of section 72 of the Act on Credit Institutions on the supervision of the consolidated financial position shall not be applied to an investment firm whose parent company is a credit institution authorised in a State belonging to the European Economic Area (*an EEA Member State*) or a holding company established in such a State which is simultaneously the parent company of a credit

institution authorised in an EEA Member State provided that the credit institution is subject to supervision on the basis of its consolidated financial position.

CHAPTER 6 (10.7.1998/518)

Investor-compensation fund

Section 32 (10.7.1998/518)

Membership of the compensation fund

An investment firm shall belong to a compensation fund in order to safeguard the cash and instruments (*claims*) of investors.

An investment firm shall become a member of the compensation fund on the day on which it is granted an authorisation of an investment firm. The Compensation Fund may dismiss an investment firm from the Compensation Fund.

The provisions of this chapter and section 19 a, section 48, subsection 4 and section 51 on an investment firm and the persons attending to its management and employees shall also apply to a Finnish credit institution and management company referred to in section 4 as well as to the persons attending to its management and to its employees. (2.4.2004/226)

Section 33 (10.7.1998/518)

Payment of compensation from another fund

The funds referred to in section 65 j of the Act on Credit Institutions in the account of the investor or funds in payment transfer not yet credited therein shall be compensated from the deposit guarantee fund in the manner provided for in the Act on Credit Institutions.

If the account may, under an agreement on investment services concluded between a credit institution or an investment firm and the investor, only be used for investment services or the safekeeping and administration services referred to in section 16, paragraph 1, subparagraph 5, the funds in the account or funds in payment transfer not yet credited therein shall, in derogation from the provisions of paragraph 1, be compensated from the compensation fund in the manner provided for in this chapter. Also the funds referred to in the Securities Markets Act of the customers of a securities intermediary in an account referred to in chapter 4, section 5 a, paragraph 1 of the Act in the name of the securities intermediary shall be compensated in the manner provided for in this chapter.

The liability of an account management organization as well as its duty to contribute to the registration fund referred to in the Act on the Book-Entry System shall be governed by separate provisions. If a compensation could be paid from the compensation fund, the clearing fund in accordance with the Securities Markets Act and the registration fund, the compensation shall be primarily paid from the compensation fund in accordance with the provisions of this chapter. (15.9.2000/801)

Section 34 (10.7.1998/518)

Management of the compensation fund

The compensation fund shall be administered by a delegation elected by the member investment firms and a board of directors elected by the delegation. In addition to what is provided for on the duties of the board of directors elsewhere in the law and otherwise, the duties of the board of directors of the compensation fund shall be to:

- 1) give the Financial Supervision Authority a statement on the application for an authorisation of an investment firm; (27.6.2003/596)
- 2) decide on the issuing of a reprimand to an investment firm and its exclusion from the compensation fund;
- 3) decide on the amount of contributions payable by 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 and to invest them in the manner provided for in this Act and in 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 investment firms the costs arising from the administration of the compensation fund;
- 8) attend to the duty to inform of the compensation fund;
- 9) notify the Financial Supervision Authority of its decision referred to in subparagraph 3;
- 10) inform the Financial Supervision Authority without delay of any procedure contrary to the provisions and regulations on the operations of the compensation fund; as well as to
- 11) make all other decisions necessary for the management of the compensation fund unless separately or under this Act provided for to be attended to in another manner.

The book keeping and financial statements of the compensation fund shall be governed by the provisions of the Accounting Act (1336/1997).

In addition to the provisions on the administration of the compensation fund in this chapter, the administration of the compensation fund shall be governed by the Act on Associations (503/1989).

Section 35 (10.7.1998/518)

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 Supervision Authority and the Bank of Finland. The Rules shall contain orders supplementing this Act and the provisions elsewhere in the law at least on: (5.12.2003/1015)

- 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 and administrative charges of the Compensation Fund and their division between the members, the responsibility of a former member of the Fund for the costs incurred by the Fund for a compensation event 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; (5.12.2003/1015)
- 3) the time and manner for the payment of the contribution payment and administrative charges;
- 4) the time, grounds and manner for the taking out of a loan for its operations of the compensation fund, the manner for the raising of the contribution payments in that situation as well as on the manner for the distribution of liability for the repayment of the loan between the members of the contribution fund;
- 5) whether and to what extent the capital of the Compensation Fund may be covered by insurance or by binding credit commitments of a credit institution belonging or not belonging to the same consolidation group as a member of the Fund; (5.12.2003/1015)
- 6) the manner for the election of the members of the board of directors of the contribution fund and their number, the term, quorum, decision-making order and duties of the board of directors as well as the manner for the convocation of the board of directors;
- 7) the manner for the election of the delegation of the compensation fund as well as the quorum, decision-making order and duties of the delegation as well as the manner and times for 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 financial statements as well as the time and manner for the auditing of the accounts and administration of the compensation fund;
- 10) the manner for the election of certified auditors or audit organizations for the compensation fund and their number and term;
- 11) the manner and targets for the investment of the assets of the compensation fund; as well as
- 12) the manner for the amendment of the rules.

In addition to the provisions of subsection 1, the Rules shall contain provisions on the joining in the Compensation Fund of a Finnish branch of a foreign investment firm and management company and an office of a foreign credit institution in Finland, the 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. (2.4.2004/226)

Section 36 (10.7.1998/518)

Contribution payment of the Compensation Fund

The total minimum amount of contribution payments collected to the Fund annually shall, upon the proposal of the Compensation Fund, be confirmed by the Ministry of Finance, which shall, prior to the decision, request an opinion thereon of the Financial Supervision 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 compensation-fund cover. (5.12.2003/1015)

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 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 determined 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 the consortium of cooperative banks shall be deemed as one credit institution when calculating the contribution payment. The contribution payment of the consortium of cooperative banks shall be paid to the compensation fund by the central organization of the consortium. The contribution payment paid by the central organization shall be divided between its member credit institutions in accordance with paragraph 2. By permission of the Financial Supervision Authority, the contribution payment may also be divided in another manner.

The Financial Supervision Authority shall be notified of the contribution payments determined in accordance with paragraphs 2 and 3 at the latest one month before they are payable to the contribution fund in accordance with the rules of the contribution fund. The Financial Supervision 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.

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 belonging or not belonging to the same consolidation group as a member of the Fund. The Financial Supervision Authority shall annually check that the capital of the Compensation Fund payable in cash has been steadily increased. An insurance or a binding credit commitment shall be taken in the name of the Compensation Fund and the costs incurred thereby shall be covered jointly by the investment firms belonging to the Compensation Fund. (5.12.2003/1015)

Subsection 6 repealed by Act 5.12.2003/1015.

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 nor may this part be included in the assets of the investment firm.

Section 37 (2.4.2004/226)

The contribution payment of the branch of a foreign investment firm and management company

and of a foreign credit institution

The contribution payment of a Finnish branch of a foreign investment firm and management company and of a foreign credit institution that is a member of the Compensation Fund shall be determined, where applicable, by the provisions of section 36.

Section 38 (10.7.1998/518)

An investor subject to the cover

An investor subject to the cover means an investor who has been offered investment services or custodial and management services referred to in section 16, subsection 1 (5) or from whom an investment firm has accepted funds referred to in subsection 2 (1) of the said section. (31.1.2003/70)

Notwithstanding the provisions of paragraph 1, the compensation fund shall, however, not compensate the claims of professional investors referred to in chapter 1, section 4, paragraph 4 of the Securities Markets Act nor the claims of an investor who is responsible for the financial difficulties of the investment firm or has benefited therefrom or aggravated them.

Section 39 (10.7.1998/518)

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 referred to in section 38 held or administered by the investment firm and relating to the provision of investment services, the custodial or management services referred to in section 16, subsection 1 (5) or in connection with the service referred to in subsection 2 (1) of the said section in accordance with the law or an agreement, the investor may notify the Financial Supervision Authority of the matter. (31.1.2003/70)

Within 21 days from the receipt of a notification referred to in paragraph 1 or after being otherwise notified thereof, the Financial Supervision Authority shall 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 paragraph 1 has resulted from the placing of the investment firm in bankruptcy or in company reorganization or from its other insolvency which is not deemed temporary by the Financial Supervision Authority and of which a sufficient account has been submitted.

The Financial Supervision 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 supervisory authority of the State where the branch is located corresponding to the Financial Supervision Authority and the cover scheme corresponding to the Compensation Fund. (27.6.2003/596)

For the implementation of the decision of the Financial Supervision Authority referred to in paragraph 2 and for the making of compensation decisions relating to individual investors, an investment firm shall submit to the compensation fund and the Financial Supervision Authority information on all investors and their claims referred to in paragraph 1.

Section 40 (10.7.1998/518)

Claims subject to compensation

The claims of investors referred to in section 38 by the investment firm in connection with the provisions of investment services or the custodial or management services referred to in section 16, subsection 1 (5) or with the service referred to in subsection 2 (1) of the said section shall be paid 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 one investor from one and the same investment firm, however, at most EUR 20,000. (31.1.2003/70)

The compensation to be paid to an investor shall be calculated in accordance with the market value of the day on which the Financial Supervision Authority made its decision in accordance with section 39, paragraph 2 or on which the investment firm was placed in insolvency proceedings, 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 compensation to be paid to the investor.

Assets resulting from a crime, with regard to which a judgment has been rendered in accordance with chapter 32, sections 6-10 of the Penal Code (39/1889), cannot be paid from the compensation fund.

If the authorization of an investment firm is withdrawn in full, the claims of investors held in custody by or administered by the investment firm shall be covered until their maturity. An investment firm whose authorization has been withdrawn shall continue to have joint responsibility for the payment of the claims of investors in its custody until the claims relating to the investment service have matured and they have been indisputably paid.

The claims of investors who are customers of a branch of an investment firm or management company or a branch of a credit institution located in the European Economic Area shall be compensated from the assets of the Compensation Fund at most to the amount laid down in subsection 1. (2.4.2004/226)

When applying this section, credit institutions belonging to the consortium of co-operative banks shall be deemed one credit institution. (31.1.2003/70)

Section 41 (10.7.1998/518)

Right of regression of the compensation fund

A right of regression shall arise for the compensation fund against an investment firm with regard to claims referred to in section 40, paragraph 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 42 (10.7.1998/518)

Joint liability of investment firms and the payment of the claims of investors

The investment firms shall be jointly liable for the obligations and commitments of the Compensation Fund. 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 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. (5.12.2003/1015)

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 Supervision Authority referred to in section 12, subsection 4 or section 39, subsection 2. If an investment firm has been placed in liquidation, company reorganisation or bankruptcy prior to the decision referred to in section 39, subsection 2, the period shall be calculated from the decision on the placing in liquidation, company reorganisation or bankruptcy. The outstanding claim shall be paid interest on arrears in accordance with the Interest Act (633/1982) from the date on which the decision of the Financial Supervision Authority referred to in section 12, subsection 4 or in section 39, subsection 2 was made. (27.6.2003/596)

The Financial Supervision 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 of time, the compensation fund shall, however, pay the compensation without delay if the delay in the payment of the compensation were unreasonable with a view to the receiver of the compensation.

If the compensation fund has not compensated the claim of an investor within the time limit provided for in paragraphs 2 and 3, a claim has arisen for the investor which the investor may claim from the compensation fund.

If an investor or his representative is charged with a crime of concealment referred to in chapter 32, section 1, paragraph 2 of the Penal Code, the compensation fund may, notwithstanding the provisions of paragraphs 2 and 3, suspend any payment pending the judgment of the court.

Section 43 (10.7.1998/518)

The duty of the Compensation Fund to notify

The Compensation Fund shall notify all the customers of the said investment firm in writing of a decision by the Financial Supervision Authority referred to in section 39, paragraph 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 newspapers published in the operating area of the investment firm in the official languages of the area.

The Compensation Fund may set a time period of at least six months within which the investors shall have to take the measures in order to protect their claims. Expiry of the set period may not, however, be invoked against an investor who for good reason has not been able to present his claim.

Section 44 (10.7.1998/518)

Capital of the Compensation Fund, investment of its assets and its liquidity

(5.12.2003/1015)

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 of the claims of investors, the capital shall be increased in the manner stated in this subsection within the period laid down in the Rules of the Compensation Fund. (5.12.2003/1015)

The assets of the Compensation Fund shall be invested in a safe, efficient and profitable manner 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 by an organisation or management company belonging to their consolidation group 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 or management company referred to in chapter 6 of the Act on Credit Institutions. The provisions of this subsection on an investment firm, a management company or 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 or to a foreign management company. However, the 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 is, under the legislation of its home State, subject to provisions corresponding to those of section 25, 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. (2.4.2004/226)

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

Section 45 (10.7.1998/518)

Dismissal from the Compensation Fund

If an investment firm has not complied 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 Supervision Authority thereof in accordance with section 34. After receipt of the notification, the Financial Supervision Authority shall together with the compensation fund take the measures they deem necessary to rectify the matter.

If it is not possible to ensure by the means of measures referred to in subsection 1 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 notify the investment firm of its intention to dismiss it from the Compensation Fund. An investment firm may be dismissed from the Compensation Fund at the earliest twelve months from the issuing of a warning to the investment firm by the Compensation Fund. Before issuing a warning and before a decision on dismissal, the investment firm shall be heard by the Compensation Fund. The Compensation Fund shall obtain the consent of the Financial Supervision 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 43, subsection 1.

(27.6.2003/596)

The claims held in custody or administered by an investment firm which has been excluded from the compensation fund shall be covered until their maturity. An investment firm which has been excluded from the compensation fund shall continue to have joint responsibility for the payment of the claims of investors in its custody and administered by it until the claims relating to the investment service have matured and they have been indisputably paid.

Section 46 (10.7.1998/518)

Restrictions on advertising and the duty to provide information

An investment firm may not in its advertising provide false or misleading information relating to the scope of the cover offered by the investor-compensation fund. An investment firm may in its advertising use only the information relating to its own Compensation Fund cover.

An investment firm shall make in a clear and comprehensible form and in Finnish and Swedish available information on the scope of the 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 a Compensation Fund or a deposit guarantee fund.

In addition to the provisions of section 43 on the duty of the Compensation Fund to notify, an investment firm shall, on request, inform the investors on the conditions of compensations and the measures which the investors have to take in order to protect their claims.

An investment firm which has established a branch in another State belonging to the European Economic Area shall make available the information referred to in this section in the official languages of the Member State in which the branch is established.

Section 47 (10.7.1998/518)

Right of appeal

An investment firm shall have the right to submit a decision made by the Compensation Fund under this Act to be reviewed by the Financial Supervision Authority within 30 days from the decision.

CHAPTER 7 Miscellaneous provisions

Section 48

Secrecy obligation

Anyone who, in the capacity of a member or deputy member of a body of an investment firm or an undertaking belonging to the same group, a conglomerate of investment firms or of an agent of such an investment firm or of another undertaking operating on behalf of an investment firm or as their employee or agent, has, in performing his duties, obtained information on the financial position or

private personal circumstances of a customer 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 or of another person connected with its operation or on a trade or business 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 or member attending the meeting. (25.1.2002/48)

An investment firm, its holding company and a financial institution belonging to its consolidation group as well as a consortium of investment firms shall be liable to disclose the information referred to in paragraph 1 to a prosecuting and pretrial investigation authority for the investigation of a crime as well as to another authority entitled to this information under the law.

An investment firm or an undertaking belonging to the consolidation group of the investment firm shall have the right to disclose the information referred to in 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 receiver of the information is subject to the secrecy obligation laid down in this Act or a corresponding secrecy obligation. The above provisions on the right of disclosure of information do not apply to the disclosure of sensitive data referred to in section 11 of the Personal Data Act (523/1999), nor to information based on the registration of payment information between the Customer and a company not belonging to the conglomerate. (31.1.2003/79)

In addition to the provisions of subsection 3, 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 conglomerate 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 data referred to in section 11 of the Personal Data Act. (25.1.2002/48)

Subsection 5 repealed by Act 21.7.2006/650.

The provisions of this section on the secrecy obligation shall also apply to a person who, in the capacity of performing the tasks referred to in chapter 6, has obtained unpublished information on the financial position or private circumstances or a trade or business secret of an investment firm or of its customer. (10.7.1998/518)

An investment firm shall have the right to disclose the information referred to in subsection 1 to the party in charge of public trade referred to in the Securities Markets Act and to an option organisation referred to in the Act on Trading in Standardised Options and Futures if the information is necessary in order to safeguard the supervisory duty provided for them. The investment firm shall have the same right to disclose information to the organisation in charge of trade corresponding to public trade operating in a State belonging to the European Economic Area and to an organisation corresponding to an option organisation situated in a State belonging to the European Economic Area. (13.5.2005/302)

Section 49 (30.1.1998/71)

Identification of clients

An investment firm and a financial institution belonging to its consolidation group shall ascertain the identity of its regular client and be familiar with the nature of the business operations of the client as well as with the grounds for the using of the service. If it is likely that the client is acting on behalf of another person, the identification shall also be extended to that person as far as this is possible with the means available.

The provisions of the Act on the Prevention and Investigation of Money Laundering (68/1998) shall also apply to the identification of clients.

The Financial Supervision Authority may issue further provisions on the procedures to be complied with in the identification of clients referred to in paragraph 1.

Section 50

Repealed by Act of 30.1.1998/71.

Section 51

Damages

Anyone who causes damage through a procedure violating this Act or the provisions or orders issued thereunder or the rules of the compensation fund shall be liable to compensate the damage he has caused to the person suffering for the damage. (10.7.1998/518)

Adjustment and allocation of the damages among two or more parties liable therein shall be governed by the provisions of chapters 2 and 6 of the Damages Act (412/1974).

Paragraph 3 repealed by Act of 30.1.1998/71.

Section 52 Keeping of client funds

The keeping of funds entrusted to the investment firm for keeping, investing or other management of funds or acquired through the sale of property shall be governed by the provisions of chapter 4, section 5 a of the Securities Markets Act. (8.5.1998/322)

In the book-keeping the funds and property of a client shall be kept separate from the own funds and property of an investment firm and stored in a reliable manner.

CHAPTER 8 Provisions on punishments Section 53 Investment-service crime

Anyone who willfully or through gross negligence provides investment services in violation of section 4 or section 12 or uses, in violation of section 7, in its trade name or otherwise to indicate its operations the term securities intermediary or banker, 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 54

Investment-service offense

Anyone who otherwise than in the manner referred to in section 53 violates the provisions of section 4, section 7 or section 12 shall, unless the act is minor or subject to a more severe punishment elsewhere in the law, be sentenced for an *investment-service offense* to a fine.

Section 55

Breach of secrecy obligation relating to an investment firm

Punishment for a breach of the secrecy obligation laid down in section 48 shall be sentenced in accordance with chapter 38, section 1 or 2 of the Penal Code unless the act is subject to a more severe punishment elsewhere in the law.

Section 56

Repealed by Act of 30.1.1998/71.

Section 56 a (19.12.1997/1347)

Book-keeping offense of an investment firm

Anyone who willfully or through gross negligence prepares the annual accounts or the consolidated annual accounts in violation of the provisions of chapter 4 or a decision of the Ministry of Finance or an order of the Financial Supervision Authority issued thereunder shall, unless the act is punishable as a book-keeping crime or as a book-keeping crime with negligence referred to in chapter 30, section 9 or 10 of the Penal Code or subject to a more severe punishment elsewhere in the law, be sentenced for a *book-keeping offense of an investment firm* to a fine.

Section 56 b (19.12.1997/1347)

Breach of provisions relating to the financing of the acquisition of own shares of an investment firm

Anyone who willfully breaches the provisions of section 16 a on the granting of a loan or on the depositing of a security or on accepting own shares, participations, capital loans, debentures or comparable commitments or those of the parent company as collateral shall, unless the act is minor or subject to a more severe punishment elsewhere in the law, be sentenced for a *breach of provisions relating to the financing of the acquisition of own shares of an investment firm* to a fine or to imprisonment not exceeding one year.

Section 56 c (25.1.2002/48)

Breach of provisions on the acquisition of shares or participations of an investment firm

Anyone who wilfully acquires shares or participations in violation of the ban laid down in section 15, subsection 1 or without the consent of the Financial Supervision Authority referred to in section 15 b shall, unless the act is minor or subject to a more severe punishment elsewhere in the law, be sentenced for *breach of the provisions on the acquisition of shares or participations of an investment firm* to a fine.

CHAPTER 9

Provisions on entry into force and transitional provisions

Section 57

Entry into force

This Act shall enter into force on 1 August 1996.

This Act shall repeal the Act on Securities Brokerage Companies (499/1989) with later amendments.

Section 58

Confirmation of the authorization of a securities brokerage company

On the application of a limited company (*a securities brokerage company*), which in compliance with an authorization granted under the Act on Securities Brokerage Companies at the entry into force of this Act provides the investment services referred to in section 3, the Council of State may confirm the authorization of the company. The application shall itemize the investment services referred to in section 3 for the provision of which the company applies the confirmation of the authorization. A securities brokerage company shall, within two months from the entry into force of this Act, apply for the confirmation of its authorization or terminate the provision of the investment service. If the authorization has been applied for within that time and if the authorization has not been confirmed within six months from the entry into force of this Act, the provision of the investment services shall be terminated unless the Council of State grants a longer period of time for the termination for a special reason.

An application for the confirmation of an authorization may be taken up for handling already prior to the entry into force of this Act. Also other measures necessary for the implementation of this Act may be taken prior to the entry into force of the Act.

A shareholder of a securities brokerage company applying for the confirmation of its authorization who on 31 December 1995 has held in the company a share referred to in section 14 being at least one-tenth of the share capital of the company or producing at least one-tenth of the voting rights of the company, or another party who otherwise may exercise corresponding control in the management of the company, shall, within one month from the entry into force of this Act, notify the company of his share of the voting rights of the shares of the company as well as of its share capital.

A securities brokerage company applying for confirmation of its authorization shall in its application, in accordance with section 14, paragraph 5, notify all the shareholders and other persons referred to in

paragraph 4.

Section 59 Amount of own funds of a securities brokerage company

The minimum requirement of initial capital laid down in section 13 shall not apply to a securities brokerage company referred to in section 58, paragraph 1. The amount of the own funds of a securities brokerage company may, however, not fall below the highest comparison level of the own funds of the company, on the calculation and disclosure of which further provisions shall be issued by the Financial Supervision Authority.

The securities brokerage company shall calculate a new comparison level at six-month intervals. The Board of Directors of the company shall notify the Financial Supervision Authority of the comparison level of the own funds of the company within two weeks from the date of its determination. The notification shall be accompanied with a statement from the company's auditor in the manner determined by the Financial Supervision Authority.

The provisions of paragraph 1 shall be in force until the amount of the share capital of the company fulfills the requirement laid down in section 13.

If control of a securities brokerage company referred to in paragraph 1 is transferred to another party after the entry into force of this Act, the amount of its share capital shall meet the minimum requirement laid down in section 13 within one month from the transfer of control unless the transfer of control is due to inheritance. If the transfer of control results from inheritance, the heir shall apply for an exemption from the Financial Supervision Authority. In that case, the provisions of paragraph 1 shall be applied to the minimum amount of own funds of a securities brokerage company. The exemption shall be valid for a time set by the Financial Supervision Authority, however, for a maximum of ten years. The exemption shall apply to acquisitions taking place prior to 1 January 2006.

The party to whom control in the company referred to in paragraph 1 has been transferred shall immediately notify the Financial Supervision Authority thereof if the share capital of the company does not meet the requirements laid down in section 13.

Should the amount of own funds of an investment firm fall below the minimum laid down in paragraph 1, the provisions of section 42 shall be applied.

Section 60

Authorization of an investment firm

A company other than one referred to in section 58 which at the entry into force of this Act provides investment services referred to in section 3 shall, within three months from the entry into force of this Act, apply for an authorization or, within six months, terminate the operations in violation of this Act unless the Council of State grants, for a special reason, a longer period of time for the termination.

An application for granting an authorization may be taken up for handling already prior to the entry into force of this Act.

GP 1996/7; Economics Committee Report 1996/10; Parliament's Reply 1996/96; Council Directives

93/6/EEC (OJ L 141, 11.6.1993 p. 1); 93/22/EEC (OJ L 141, 11.6.1993, p. 27)

Entry into force and application of the amendments:

5 December 1996/950:

This Act shall enter into force on 15 December 1996.

An investment firm which, upon the entry into force of this Act, has an authorization to offer investment services on a professional basis shall submit the account referred to in section 15 a of this Act on the Financial Supervision Authority within three months from the entry into force of this Act.

An application for authorization pending upon the entry into force of this Act shall be supplemented to meet the requirements of this Act.

GP 1996/150; Economics Committee Report 1996/20; Parliament's Reply 1996/189

Council Directive 95/26/EC (OJ L 168, 18.7.1995, p. 7)

14 February 1997/156:

This Act shall enter into force on 1 September 1997.

GP 1996/89; Economics Committee Report 1996/24; Parliament's Reply 1996/233

13 June 1997/583:

This Act shall enter into force on 1 September 1997.

GP 1997/41; Economics Committee Report 1997/8; Parliament's Reply 1997/58

19 December 1997/1347:

This Act shall enter into force on 1 January 1998.

GP 1997/208; Economics Committee Report 1997/34; Parliament's Reply 1997/215

30 January 1998/71:

This Act shall enter into force on 1 March 1998.

GP 1997/158; Administrative Committee Report 1997/26; Parliament's Reply 1997/221

Council Directive 91/308/EEC

8 May 1998/322:

This Act shall enter into force on 1 June 1998.

GP 1997/209; Economics Committee Report 1998/1; Parliament's Reply 1998/16

10 July 1998/518:

1. 1. This Act shall enter into force on 1 September 1998. The rules of the compensation fund shall be confirmed prior to the entry into force of the Act.
2. 2. An investment firm which, upon the entry into force of this Act, has an authorization in accordance with the Act on Investment Firms shall be deemed to have become a member of the compensation fund on the same day it applies for membership in the compensation fund.
3. 3. An investment firm which, upon the entry into force of this Act, has an authorization in accordance with the Act on Investment Firms but which has not, within one month from the entry into force of this Act, applied for membership in the compensation fund shall, within three months from the entry into force of this Act, terminate the provision of investment services.
4. 4. The compensation fund shall, in accordance with section 36, paragraph 4, notify the Financial Supervision Authority of the amounts of the contribution payments within three months from the entry into force of this Act.
5. 5. The contribution payments of the compensation fund shall be collected so that the capital of the contribution fund shall at the latest five years from the entry into force of this Act, be equal to the minimum capital provided for in section 44. Notwithstanding the provisions of section 36, paragraph 5 on the maximum amount of insurance, more than half of the minimum capital of the fund may be covered by insurance for five years from the entry into force of this Act if the insurance is immediately used to cover all of the minimum capital of the fund and the insurance is taken out within three months from the entry into force of this Act.
6. 6. The amount of the compensation referred to in section 40, paragraph 1 to be paid to one investor shall until 31 December 1999 be nine-tenths of the claim of the investor from the same investment firm, however, no more than an amount in marks corresponding to ECU 15 000.
7. 7. The claims of investors who are customers of a branch of an investment firm in the European Economic Area shall be compensated from the assets of the compensation fund until 31 December 1999 at most to the amount to which they would be compensated in accordance with the cover scheme of the State in which the branch is located, however, at most to the amount entitled by the cover of the compensation fund.
8. 8. An investment firm which, upon the entry into force of this Act, has an authorization shall notify all the investors who are its customers of the information referred to in section 46, paragraph 2 within six months from the entry into force of this Act.

GP 1998/56; Economics Committee Report 1998/11; Parliament's Reply 1998/56

29 January 1999/49:

This Act shall enter into force on 1 February 1999.

An investment firm which is engaged in the operations referred to in section 16, paragraph 1, subparagraph 9 and the amount of share capital of which does not comply with the provisions of

section 13, paragraph 2 shall, within 12 months from the entry into force of this Act, raise its share capital to comply with the provisions of this Act or cease to operate as a custodian.

GP 1998/202; Economics Committee Report 1998/35; Parliament's Reply 1998/219

29 January 1999/106:

This Act shall enter into force on 1 April 1999.

GP 1998/209; Economics Committee Report 1998/37; Parliament's Reply 1998/235

15 September 2000/801:

This Act shall enter into force on 16 October 2000.

GP 2000/28, Economics Committee Report 2000/15, Parliament's Reply 80/2000

21 July 2006/650:

This Act enters into force on 1 September 2006.

GP 109/2005, Finance Committee Report 7/2006, Reply of Parliament 63/2006

9 February 2007/135:

This Act enters into force on 15 February 2007.

An investment firm shall be governed by the provisions of sections 177—184 of the Act on Credit Institutions. Articles 45 and 46 of Directive 2006/49/EC of the European Parliament and of the Council on the capital adequacy of investment firms and credit institutions shall not be applied to investment firms.

Section 31 of this Act shall not, prior to 1 January 2011, be applied to an investment firm which, under the terms of its authorisation, may provide investment services solely in derivatives contracts relating to commodities markets.

GP 21/2006, Finance Committee Report 25/2006, Reply of Parliament 252/2006

Directive 2006/48/EC of the European Parliament and of the Council (32006L0048), Official Journal No. L 177, 30.06.2006, p. 1

Directive 2006/49/EC of the European Parliament and of the Council (32006L0049), Official Journal No. L 177, 30.06.2006, p. 201