

IN-DEPTH

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FINLAND



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In-Depth: Banking Regulation (formerly The Banking Regulation Review) is an annual survey of the most important developments in banking regulation in the most significant jurisdictions worldwide. It provides high-level insight across the gamut of the legal and regulatory requirements applicable to banks, including prudential regulation, rules governing the conduct of business, funding, control and transfers of banking business and much more.

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Finland

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Introduction

The Finnish banking sector is characterised by a strong presence of pan-Nordic banking groups in Finland coupled with robust local financial and banking groups, and specialised institutions. Finland suffered a severe banking crisis between 1991 and 1994 that thoroughly reshaped the banking sector. Partly because of this experience and ensuing structural changes, Finnish banks were able to weather the global financial crises that began in 2008 more resiliently than some of their European peers. According to the Finnish Financial Supervisory Authority (FIN-FSA), the Finnish financial sector's solvency has remained strong in 2024, and overall capital position has been good. Furthermore, banking sector's capital position and profitability have improved due to solid performance and remained stronger than the European average. Moreover, the Finnish banking sector's non-performing loans and loan losses remained moderate and among the lowest in Europe.^[1] However, many risks, such as geopolitical tensions, import tariffs imposed by the United States administration and the resulting trade war, as well as weaker economic growth, continue to pose challenges for banks by weakening the overall operational environment. The banking sector is large and highly concentrated, and banks are highly exposed to residential and commercial real estate, the latter facing headwinds from the general weakening of the operational environment. The strong capital position, however, provides the financial sector protection against the impeding risks.^[2] The banking sector is currently undergoing certain structural changes, as an increase in merger projects has led to a significant decrease in the number of cooperative banks.

The Finnish economy was in recession in 2024 and is slowly recovering from the recession in 2025. The strong inflation of previous years has declined substantially in 2024. As a result of this decrease in inflation, monetary policy has become less restrictive, and interest rates have been reduced.^[3] Unemployment grew widely during 2024, and is expected to continue to grow in 2025, though at a slower pace as the labour market conditions are gradually stabilising. The employment rate decreased by 1.0 per cent during 2024, and during the first months of 2025, the employment rate was still declining. However, in 2025, the number of employed persons is expected to grow by 0.2 per cent.^[4] According to a report published by Finance Finland in April 2025, the lending capacity of banks remained strong in 2024, but due to high interest rates and weak economic situation, demand for credit was subdued.^[5] However, in March 2025, non-financial corporations drew down new loans from credit institutions operating in Finland totalling €2.4 billion, which was over twice as much as in the same period a year earlier. Despite the higher drawdown volumes in March, the stock of corporate loans granted by credit institutions was reduced by 2.4 per cent year-on-year. The average interest rate on new corporate loans was 4.33 per cent in March 2025, whereas the stock of corporate loans was €61.6 billion. Households drew down new loans more than the year before, as the new housing loans by Finnish households in March 2025 amounted to €1.2 billion, which was €230 million more than in the same period the previous year. The stock of Finnish households' deposits amounted to €112.1 billion, while the average interest rate on the deposits was 1.06 per cent.^[6]

The largest credit institutions in Finland measured by total assets as at 31 December 2024 were Nordea Group with €623.4 billion, OP Financial Group with €161.2 billion (previously OP Pohjola Group, including 93 cooperative banks) Municipality Finance Plc with €53.1 billion, the Savings Bank Group with €13.9 billion and S-Bank Group with €13.3 billion.

Certain trends that have been prominent in the Finnish financial market for some years now, such as digitalisation, cybersecurity, public efforts to curb household debt and a focus on sustainable business and growth, have influenced the Finnish financial markets in 2024 with the geopolitical tensions and domestic politics contributing to the development of some of them. The trend of digitalisation has continued strongly, with more Finnish customers choosing – or rather being forced to choose – digital channels for their interactions. In addition to digitalisation, artificial intelligence has been a prominent trend with growing impact across all sectors, including the financial market. AI has enhanced the productivity through, for instance, automation and improved risk management tools with real-time data analysis. On the other hand, increased reliance on digital solutions has necessitated that the banks place greater focus on improving their cyber resilience and other operational resilience capabilities. The Finnish banks have also continued to focus on sustainability factors and integrate sustainability factors into their banking operations as a result of the ever-growing EU-wide sustainable finance regulation that sets numerous compliance and reporting requirements on the financial sector with respect of sustainable financing, sustainable investments and other sustainability-related factors.

Year in review

The Finnish financial sector's capital position remained good in 2024, although many persistent risks, such as geopolitical tensions and weaker economic growth continued to pose challenges. The banking sector's non-performing assets relative to the credit stock were among the lowest in Europe. However, the development of credit risks differed considerably between the banks and the various lender segments and industries. The quality of the credit stock continued to weaken in consumer credit as well as in the corporate sectors that have in recent years suffered from the increase in debt-servicing expenses and the weak business cycle.^[7]

In 2024, cybersecurity was a prominent theme. A considerable leap into the direction of cybersecurity has been the EU's Digital Operational Resilience Act (DORA)^[8] that entered into force on 16 January 2023 and has been applicable since 17 January 2025. DORA aims at strengthening the IT security of credit institutions and ensuring that the financial sector can stay resilient even in the event of severe operational disruptions. In Finland, DORA applies to over 400 supervised entities, and they have had 24 months to adjust their operations to be compliant with DORA. Preparations were made during the year for the beginning of the application of the regulation. Preparations for both the institutions and the FIN-FSA were affected by delays in the finalisation of lower-level provisions supplementing DORA.^[9] DORA set requirements for financial entities, including, among other things, requirements for ICT risk management, managing and reporting ICT incidents, digital operational resilience testing, risk management and oversight of critical ICT third-party providers, and information sharing on cyber threats. In the supervision of DORA, the FIN-FSA will focus on the management of supervised entities' ICT risks and cyber-threats.^[10]

As part of the government's aim to combat over-indebtedness as well as to monitor and supervise financial stability and credit markets, a positive credit register was launched. The Act on Positive Credit Register has been in force since August 2022, but lenders have

been required to report information on consumer credits and other comparable credits, and the retrieval of information has only been possible since April 2024. The positive credit register aims to help banks and other credit institutions with assessing customers' creditworthiness, thereby reducing the risk of over-indebtedness.

Regarding macroprudential measures, in the financial sector for 2024, the initiatives undertaken strengthened the financial system's resilience to structural risks. The systemic risk buffer of 1 per cent for all credit institutions – decided in 2023 – entered into force and remained unchanged for 2024. As the structural capital buffer requirements entered into effect, the overall macroprudential buffers were raised to a level deemed sufficient by the FIN-FSA.^[11] Throughout the year, the FIN-FSA carried out quarterly reviews to assess whether the countercyclical capital buffer and the maximum loan-to-value ratio for housing loans (loan cap) needed updating. As no changes were required, the countercyclical buffer stayed at its basic level of zero per cent, while the loan cap for borrowers other than first-time buyers remained at 90 per cent, as restored at the end of 2023. Moreover, the additional capital requirements for other systemically important institutions remained unchanged.^[12]

The regulatory guidance of the FIN-FSA centred around the impacts of long-term trends in the operating environment such as financial sector digitalisation, increase in ICT and cyber risks, tighter regulation and climate change, as well as mitigation of the effects therewith. In January 2024, the FIN-FSA stated that its supervision would centre on operational and financial risks in the uncertain operating environment, on the soundness of supervised entities' governance (including, among other things, compliance with and supervision of sanctions as well as preparedness and continuity management), and on the aforementioned long-term trends. In 2024, the FIN-FSA acquired a new area of inspection regarding cryptoasset companies' customer due diligence procedures, as the total risk exposure of these entities is considered significant in risk assessments of anti-money laundering and terrorist financing.^[13]

During the past year, the FIN-FSA reported an increase in both crypto investment scams and payment scams. The FIN-FSA underlined the importance of a robust cybersecurity and scam prevention regime in the financial sector, noting that the security of banking services can be enhanced in multiple ways. The FIN-FSA urged credit institutions to pay closer attention to the security mechanisms of systems and encouraged them to provide more guidance to customers on fraud detection and avoidance, highlighting the critical role awareness plays in preventing fraud. Moreover, the FIN-FSA issued recommendations to enhance the security of online banking, mobile banking and online payments. In particular, credit institutions were urged to expand customers' ability to set more diverse security restrictions for online banking and mobile payments, and to improve their payment monitoring.^[14]

As has been evident for a while now, sustainability will have a significant effect on the future risks and regulation of actors in the financial sector. In 2024, sustainability considerations took on greater importance in the financial sector as new regulations, such as the Directive on Corporate Sustainability Due Diligence (CSDD),^[15] entered into force. Several EU-led projects also began to have a tangible effect at a national level. On 1 January 2024, disclosure obligations under the Taxonomy Regulation^[16] were expanded, and the Corporate Sustainability Reporting Directive (CSRD)^[17] became applicable, requiring companies falling within the first wave of application to comply with the rules in the 2024

financial year. Many companies operating in the financial sector were included in the first wave. For example, Nordea Group's annual report for the financial year 2024 included a new sustainability statement prepared in accordance with the Finnish Accounting Act, Chapter 7, implementing the CSRD. However, in February 2025, the European Commission adopted an Omnibus package intended to simplify EU legislation in the field of sustainability and investment. In April 2025, as part of the package, a directive known as the Stop-the-clock directive^[18] was adopted, that postpones by two years the entry into application of the CSRD requirements for large companies that have not yet started reporting, and by one year the transposition deadline of the CSDD. These postponements provide relief for several national financial operators in the coming years.

Pursuant to the assessment report of the Finnish Ministry of Finance on current needs to amend legislation on banking services and credit institutions, published in March 2024, it was deemed necessary to amend general legislation governing credit institutions – specifically the definition of activities permitted for credit institutions, as well as the definition of repayable funds and the independence of boards of directors. Moreover, amendments may be required, for example, for issues involving the requirement for a place of business, provisions on real estate holdings, and remuneration. Regarding regulation on amalgamations of deposit banks, the required amendments relate to clarifying the joint liability system and group control. Finally, the report identified a need to update the legislation on corporate forms of credit institutions, particularly regarding the Savings Bank Act and the Act on Mortgage Societies.^[19] In July 2024, the Ministry of Finance appointed a working group to reform and update the national credit institution legislation and to implement the latest changes introduced by the Capital Requirements Directive VI (CRD VI)^[20] and Capital Requirements Regulation III (CRR III).^[21] Furthermore, the above-mentioned assessment report highlighted challenges concerning the accessibility and usability of basic banking services. Consequently, in October 2024, the Ministry of Finance appointed a separate working group to prepare the necessary legislative amendments, particularly with regard to basic banking services, the availability and accessibility of cash, as well as customer protection and procedural rules. The terms of both working groups are ongoing and will conclude at the end of 2025.

The regulatory regime applicable to banks

The primary law governing credit institutions in Finland is the Act on Credit Institutions (ACI).^[22] The ACI entered into force in August 2014, replacing the previous act of the same name. One of the main objectives of the reform was to implement, via the ACI, the Capital Requirements Directive (CRD)^[23] and the Capital Requirements Regulation (CRR)^[24] into Finnish legislation. As stated above, the national credit institution legislation is undergoing changes as the working group, appointed in July 2024, is currently planning amendments. The government proposal for the legislation implementing the CRD VI is expected to be presented in October 2025. The objective is for the legislation to enter into force on 1 January 2026.^[25]

The ACI is generally applicable to all credit institutions. In addition, there are other laws on specific matters that are applicable to banks of particular forms. Deposit banks are categorised as commercial banks (banks in the form of a limited company), cooperative banks or savings banks, each of which are subject to their own specific regulation. As such,

the regulatory framework in Finland consists of various laws governing specific forms of banking activities. The most important laws and regulations are the following:

1. the ACI, which governs, inter alia, the establishment and management of credit institutions. The definition of a credit institution includes deposit banks and credit societies. As a general law applicable to all credit institutions, the ACI lays down the authorisation requirements, defines the permitted business activities and sets out the conduct of business rules. The ACI also contains provisions on capital adequacy and liquidity requirements. As part of the ongoing reform of credit institution legislation, amendments to the ACI are expected to, for instance, clarify the activities permitted for credit institutions and specify the assessment of management's reliability and competence;
2. the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company,^[26] which regulates the operations of commercial banks. This Act lays down provisions regarding, inter alia, the division, merger, liquidation and bankruptcy of commercial banks. The Companies Act,^[27] as a generally applicable law, governs the corporate aspects of commercial banks except as otherwise provided for in the Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company or in the ACI;
3. the Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative,^[28] which regulates the operations of cooperative banks. The Act lays down provisions regarding, inter alia, the division, merger, liquidation and bankruptcy of cooperative banks. The Cooperatives Act,^[29] as a generally applicable law, governs the corporate aspects of cooperative banks except as otherwise provided for in the Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative or in the ACI. There are two cooperative bank groups operating in Finland: OP Financial Group and POP Bank Group. At the end of 2024, OP Financial Group was made up of 93 independent cooperative banks, while POP Bank Group consisted of 18 independent cooperative banks. Merger projects between OP cooperative banks are underway in various parts of Finland, and the number of independent cooperative banks is expected to be 54 at the end of 2025;
4. the Covered Bond Act,^[30] implementing the Covered Bond Directive (EU) 2019/2162, and the Act on Mortgage Societies,^[31] which regulate the operations of mortgage banks and mortgage societies, respectively. Mortgage banks and mortgage societies are credit institutions that specialise in the financing of residential and commercial real estate. However, their role is not significant in the Finnish financing sector owing to the strong position of deposit banks as providers of financing. The working group revising the credit institution legislation is planning amendments to these acts to ensure up-to-dateness and alignment with the latest changes introduced by CRD VI and CRR III;
5. the Savings Bank Act,^[32] which governs the operations of savings banks that have the special purpose of promoting saving. At the end of 2024, there were 14 regional savings banks operating in Finland. The working group revising the credit institution legislation also plans amendments to this act, for instance, in the area of corporate forms, to ensure up-to-dateness and alignment with the latest changes introduced by CRD VI and CRR III;
- 6.

the Deposit Banks Amalgamation Act (the Amalgamations Act).^[33] An amalgamation of deposit banks comprises a cooperative central institution, the companies belonging to the central institution's consolidation group, the member credit institutions and the companies belonging to the member credit institutions' consolidation groups, and the credit institutions, financial institutions and service companies in which the aforementioned institutions jointly hold more than half of the voting rights. Under the Amalgamations Act, a central institution is liable for the debts of its member credit institutions. Furthermore, the member credit institutions are jointly liable for each other's debts. Pursuant to the Amalgamations Act, the aggregate amount and liquidity of the amalgamation's own funds are monitored at the amalgamation level on a consolidated basis. The working group revising the credit institution legislation is planning amendments to this act, for instance, in the field of joint liability system and group control clarity, to ensure up-to-dateness and alignment with the latest changes introduced by CRD VI and CRR III; and

7. regulations and guidelines issued by the FIN-FSA.

As regards banking services provided by non-Finnish banks, the ACI sets out conditions under which non-Finnish credit institutions may provide their services in Finland. In line with the general passporting rules based on the CRD passporting regime, credit institutions from countries belonging to the European Economic Area (EEA) may provide banking services in Finland either by establishing a branch or by providing services on a cross-border basis, provided that a passporting notification has been submitted to the competent authority. Credit institutions from non-EEA countries are not able to take advantage of the passporting regime available to EEA credit institutions; consequently, if a credit institution from a non-EEA country intends to provide its services in Finland, this must happen through a branch with a prior authorisation from the FIN-FSA. The authorisation procedure for non-EEA credit institutions is comparable to the authorisation procedure applicable to Finnish credit institutions. At present, there are no authorisations for non-EEA credit institutions in force in Finland. In addition, a non-EEA credit institution may establish a representative office in Finland by notifying the FIN-FSA thereof. However, a representative office may only provide a very limited range of services and may not engage in banking services.

Prudential regulation

Relationship with the prudential regulator

The FIN-FSA is responsible for the supervision of Finland's financial sector. The objectives of the FIN-FSA's activities are to enable balanced operations of credit institutions and other supervised entities as well as to foster public confidence in financial market operations. The FIN-FSA is further responsible for, inter alia, promoting compliance with good practice in the financial markets and disseminating general knowledge about the markets. These objectives and the duties of the FIN-FSA have been included in the Act on the Financial Supervisory Authority,^[34] which sets forth a comprehensive list of the FIN-FSA's duties and delineates its supervisory powers. While the FIN-FSA operates in connection with the Bank

of Finland, it makes independent decisions in its supervisory work. In addition to that work, the FIN-FSA is the authority that grants authorisations needed by many financial market participants, such as credit institutions, investment firms, fund management companies and insurance companies.

When carrying out its supervisory duties, the FIN-FSA has considerable authority to obtain information from the entities under its supervision, regardless of any rules on confidentiality. Furthermore, the entities supervised by the FIN-FSA are required to regularly file various reports to the FIN-FSA, which uses the reported data to monitor the supervised entities' economic standing and risks, and to analyse their profitability, capital adequacy, risks and business volumes.

The FIN-FSA may exercise various supervisory powers, such as imposing a temporary prohibition on a person holding a managerial position in a supervised entity or, in extreme circumstances, cancelling an authorisation granted to a supervised entity. Moreover, the FIN-FSA may impose administrative sanctions, including administrative fines, public warnings and penalty payments. By the entry into force of the ACI in 2014, the sanctioning powers of the FIN-FSA were extended notably. In particular, the maximum amounts of penalty payments were increased significantly, bringing the maximum amounts of the penalty payments the FIN-FSA may impose for failures to comply with certain requirements of the ACI in line with the maximum penalties provided for in CRD.

A significant change took place in the supervisory regime when the single supervisory mechanism (SSM) commenced its operations in Europe in November 2014. The SSM is a system of financial supervision comprising the European Central Bank (ECB) and the competent national authorities of the participating EU Member States. The legal basis for the SSM is Council Regulation (EU) No. 1024/2013. Within the SSM, the ECB directly supervises 'significant credit institutions' and has an indirect role in the supervision of less significant credit institutions, which are primarily supervised by their national supervisors in close cooperation with the ECB. At the time of writing, three Finnish credit institutions and groups (Nordea Group, OP Financial Group and Municipal Finance Plc) as well as the Finnish branch of Danske Bank A/S have been classified as significant institutions, and they have been transferred to the direct supervision of the ECB.

Under the SSM, the FIN-FSA will not use its powers directly where the ECB has jurisdiction. Therefore, in respect of institutions subject to the ECB's direct supervision, the powers of the FIN-FSA described herein should be read also to refer to the ECB under the SSM.

The Act on the Financial Supervisory Authority contains specific provisions for the supervision of foreign supervised entities and their branches in Finland, and on cooperation with foreign supervisory authorities.

Management of banks

The board of directors of a bank shall create a framework for the bank's internal governance. To fulfil this and other tasks, the board may opt to create committees or other working groups that are charged with assisting the board in fulfilling its duties. According to the ACI, certain committees, such as a risk management committee, an audit committee and a nomination committee, must be established if the criteria described in the ACI are met. The day-to-day operations of the bank are the responsibility of its senior management, consisting of, for example, the managing director and members of the management group.

It should be noted that while there is no legal requirement to have a management group, it is recommended to create such a body to provide assistance to the bank's managing director in the fulfilment of their duties.

In addition to the organisational requirements discussed above, a bank's managers must fulfil certain obligations (as set forth in the ACI and in the FIN-FSA's regulations and guidelines) to manage the bank professionally and in a way that complies with sound business principles. All banks must maintain an effective risk-management system that seeks to manage and reduce risks to the bank's liquidity and capital adequacy. The FIN-FSA's supervision of banks' corporate governance procedures takes particular note of certain items including, inter alia:

1. the planning and management of a bank's activities;
2. the establishment of internal control functions;
3. the organisation of a bank's activities in general (e.g., identification of conflicts of interest, storage of information, effective customer complaint procedures); and
4. whether the bank maintains sufficient personnel for its operations, has created and follows a strategic business plan, and ensures that its operations are governed according to sound professional and ethical standards.

Each credit institution is required to follow certain rules, pursuant to the ACI, which include a requirement to have a remuneration policy that is in line with the business strategy, objectives, values and long-term interests of the institution. Additionally, remuneration policies must be consistent with, and promote, sound and effective risk management, and must not encourage risk-taking that exceeds the level of tolerated risk of the institution. The rules of the ACI governing remuneration policies are in line with those of CRD.

Regulatory capital and liquidity

Authorisation for a credit institution will be granted if the preconditions set out in the ACI are met. These include, inter alia, that the share capital, cooperative capital or basic capital must be at least €5 million and fully paid at the time of granting a licence, and that the credit institution must meet the capital requirements set out in the ACI.

Finland has implemented the CRD and its subsequent amendments primarily through ACI. As a result, Finnish regulatory capital and liquidity requirements are determined in accordance with both the CRR and the ACI. Pursuant to the ACI, a Finnish credit institution must continuously hold the required minimum amount of own funds and consolidated own funds, calculated in accordance with both the CRR^[35] and Chapter 10 of the ACI. Under the ACI, the definition of own funds corresponds to the definition of own funds as set forth in the CRR.^[36]

On 27 October 2021, the European Commission adopted a review of EU banking rules, namely the European Commission's Banking Package (Basel IV). The review consists of the following legislative elements: CRD VI, CRR III, and a separate legislative proposal to amend the CRR in the area of resolution. The Basel IV package was published in the Official Journal of the European Union on 19 June 2024. Both CRR III and CRD VI came into force on 9 July 2024. CRR III has been generally applicable from 1 January 2025. CRD VI

must be transposed into national law by Member States by 10 January 2026. The Basel IV package includes revisions to capital requirements, calculation of credit risk, operational risk and credit valuation adjustment risk. The Basel IV package sets a minimum leverage ratio buffer for large and systemically important institutions and introduces a new output floor for banks using internal models.

The new amendments introduced through CRR III have already impacted credit institutions' operations. In OP Financial Group's Interim Report for the first quarter of 2025, the Group reported a reduction in capital adequacy as the Common Equity Tier 1 ratio decreased by 1.5 per cent. According to the Group, this was a result of changes in the EU Capital Requirements Regulation and in the collateral management process.

Pursuant to the CRR, credit institutions must have a Common Equity Tier 1 capital ratio of at least 4.5 per cent, a Tier 1 capital ratio of 6 per cent and a total capital ratio of 8 per cent (each ratio expressed as a percentage of the total risk exposure amount). Furthermore, pursuant to the ACI, an additional capital conservation buffer of 2.5 per cent has been applicable to all credit institutions since 1 January 2015. The FIN-FSA is also authorised to set a countercyclical buffer of zero to 2.5 per cent based on macroprudential analysis. Both the additional capital conservation buffer and the countercyclical buffer must be satisfied with Common Equity Tier 1 capital. At the time of writing, the FIN-FSA has not imposed the countercyclical buffer. Since 1 January 2018, the FIN-FSA has been authorised to set a systemic risk buffer of between 1 and 5 per cent on credit institutions, applicable from 1 January 2019 at the earliest. The most recent decision of the FIN-FSA regarding the level of systemic risk buffer requirements for Finnish credit institutions was issued on 25 March 2025. Finally, there is an additional capital buffer requirement for other systemically important institutions (O-SIIs) whose failure or other malfunction would be expected to jeopardise the stability of the national financial system. The O-SII buffer for credit institutions operating in Finland may be set at zero to 2 per cent of the total risk exposure amount and must be satisfied with Common Equity Tier 1 capital. At the time of writing, the FIN-FSA has imposed additional capital requirements (O-SII buffers) on three Finnish credit institutions.^[37]

The ACI also contains specific provisions on the consolidated supervision of banking groups, including provisions on the calculation of own funds on a consolidated basis, consistent with the CRR and CRD.

The FIN-FSA has issued further national regulations and guidelines on the calculation of capital requirements and large exposures. These instructions are related to the national application of the CRR and contain, inter alia, the FIN-FSA's guidelines on the categorisation of various Finnish capital instruments into Common Equity Tier 1, Additional Tier 1 or Tier 2 instruments for the purposes of satisfying the own funds requirements imposed by the CRR and the ACI.

As regards liquidity requirements, Finnish credit institutions must comply with the liquidity requirements set forth in the CRR and as further specified by the Commission Delegated Regulation.^[38]

Recovery and resolution

Directive 2014/59/EU, providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms (BRRD), entered into

force on 2 July 2014. In addition, the European Union has adopted a directly applicable regulation governing the resolution of the most significant financial institutions in the eurozone (i.e., a regulation establishing a Single Resolution Mechanism Regulation (the SRM Regulation)).^[39]

In Finland, the BRRD was implemented mainly through two acts: the Act on Resolution of Credit Institutions and Investment Firms (the Resolution Act)^[40] and the Act on the Financial Stability Authority.^[41] The latter regulates the Finnish Financial Stability Authority (the Stability Authority), which is the national resolution authority and is responsible for the resolution of credit institutions and investment firms in Finland. Among its key tasks, the Stability Authority draws up resolution plans for institutions, decides whether a failing institution is to be placed under resolution and applies the necessary resolution tools to an institution under resolution. The implementation of the BRRD also involved amendments to dozens of existing acts, most notably to the ACI, and the repeal of the Act on the Temporary Bank Levy and of the Act on the Government Guarantee Fund.

Under the recovery and resolution regime, credit institutions are generally required to draw up recovery plans to secure the continuation of their business in the event of financial distress. These plans must include options for measures to restore the financial viability of the institution and must be updated annually. The plans must be submitted to the scrutiny of the FIN-FSA.

In the context of the said legislation, the FIN-FSA has been empowered to apply early intervention tools to banks and investment firms. These tools may be used if the FIN-FSA has solid reasons to believe that an institution will fail in regard to its licensing conditions, liabilities or obligations under the capital adequacy regulations within the next 12 months. The early intervention tools include, inter alia, the right of the FIN-FSA to:

1. require the bank's management to implement measures included in the recovery plan;
2. convene a general meeting of shareholders for the purpose of taking necessary decisions for recovery;
3. require the removal of members of the bank's management; and
4. require changes to the legal and financial structure of the institution.

Pursuant to the Resolution Act, the Stability Authority shall set up and maintain a resolution plan for each institution. The resolution plan must be ready for execution in the event that the institution needs to be placed in a resolution process.

The Resolution Act vests the Stability Authority with resolution powers and tools as provided in the BRRD. If the Stability Authority considers that an institution is failing or likely to fail, and that there is no reasonable prospect that any private or early intervention measures or write-down of capital instruments would prevent the failure, and further that resolution is necessary in the public interest, the Stability Authority is empowered to declare and initiate a resolution process in respect of the institution.

During such a process, the institution could be subject to the exercise of a number of resolution tools: mandatory write-down of debts or conversion of debts into equity (bail-in), sale of business, bridge institution and asset separation. To continue the operations of the

institution, the Stability Authority has the power to decide upon covering the losses of the institution by reducing the value of the institution's share capital or cancelling its shares.

The BRRD (and consequently, the Resolution Act) provides a requirement for credit institutions to meet the minimum requirement for own funds and eligible liabilities (MREL) designed to ensure sufficient loss-absorbing capacity to enable the continuity of critical functions without recourse to public funds. All institutions must meet an individual MREL requirement calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. The Stability Authority gathers information from credit institutions in its direct jurisdiction. Based on the gathered information, the Stability Authority has been preparing individual resolution plans and decisions on eligible liabilities under MREL for Finnish credit institutions. The process and schedule of the planning and decision process varies between institutions.

At the time of writing, changes to the BRRD are anticipated. On 18 April 2023, the European Commission published a proposal to adjust and further strengthen European Union's existing bank crisis management and deposit insurance framework (the CMDI Proposal). The CMDI Proposal looks to amend the BRRD, including, among other things, amending the ranking of claims in insolvency to provide for a general depositor preference, pursuant to which the insolvency laws of EU member states would be required by the BRRD to extend the legal preference of claims in respect of deposits relative to ordinary unsecured claims to all deposits. If adopted, the CMDI Proposal would require the provision regarding specific ranking of claims in an insolvency of a credit institution and its holding company included in the ACI (1:4a) to be amended accordingly. However, the CMDI Proposal is still subject to further legislative procedures.

The SRM Regulation has established a pan-European resolution authority, the Single Resolution Board (SRB). The SRB has been fully operational, with a complete set of resolution powers, since January 2016. These powers have replaced the resolution powers of the Stability Authority in respect of the Finnish institutions that are subject to the SRM Regulation.^[42]

As part of the single resolution mechanism, a Single Resolution Fund (SRF) managed by the SRB commenced operations in January 2016. Finnish credit institutions must pay annual contributions to the SRF. The amount of the contributions shall be determined in accordance with the SRM Regulation.

Additionally, ACI and the Resolution Act lay down provisions concerning, among other things, various minimum capital requirements and remuneration rules. As for resolution, the legislation clarifies requirements related to the minimum amount of own funds and eligible liabilities, as well as grants resolution authorities the power to restrict asset distributions by institutions and suspend the implementation of agreements. Furthermore, in relation to amalgamations of deposit banks, the Stability Authority has powers to use the resolution tools towards the whole amalgamation including its central institution and member banks if the amalgamation as a whole fulfils the criteria for resolution.

Conduct of business

HEREON

The ACI sets out the conduct of business rules for banks and lays down provisions on civil and criminal liability for breaching those rules.

As regards the activities banks may engage in, all credit institutions may provide various financing services (such as lending, leasing and factoring) as well as other services covered by their licence, but only deposit banks are entitled to accept deposits from the public. Pursuant to the ACI, customers are always entitled to certain basic banking services, as a result of which deposit banks may only refuse to open a payment account with basic features and to offer payment services relating to that payment account for weighty reasons, such as non-compliance by the customer with anti-money laundering obligations. Following the implementation of the Payment Accounts Directive^[43] (PAD), online banking credentials are also considered a part of basic banking services, and banks may no longer refuse to offer online banking credentials to, for example, customers with a bad credit history.

At the time of writing, corporate clients do not have the aforementioned legal right to basic banking services benefitted by private customers. However, this is expected to change following the Ministry of Finance's assignment of a working group in October 2024 to revise the legislation governing basic banking services. One of the working group's main objectives is to extend this right to micro-enterprises, small businesses, and associations, thereby ensuring adequate and reasonably priced access to banking services. The working group will continue its mandate until the end of 2025.

The ACI includes certain general conduct of business rules that must always be complied with when offering banking services in Finland; these include, inter alia, the obligation for banks to comply with good banking practice, the prohibition on providing false or misleading information and the prohibition on using unreasonable contractual terms. Furthermore, a binding maximum loan-to-value (LTV) ratio for housing loans was introduced in the legislation in 2016 as a new macroprudential instrument available for the FIN-FSA. The FIN-FSA has issued specific guidelines on the calculation of the LTV ratio to harmonise the LTV concept in the market of housing loans for personal customers. Foreign (non-Finnish) credit institutions providing services in Finland must also comply with these guidelines.

The ACI also provides banks' clients with extensive protection as regards banking secrecy. In practice, banking secrecy rules are generally strictly applied in Finland, although there are certain notable statutory exemptions to the banking secrecy obligations, including the ability to provide information within the same group of companies for certain purposes, and the right of certain authorities to obtain information.

Since the enactment of the ACI, the legislation now contains express provisions requiring non-Finnish credit institutions to comply with the conduct of business obligations set forth in the ACI when offering banking services in Finland, irrespective of whether these services are offered through a Finnish branch or on a cross-border basis.

The ACI contains provisions on both civil and criminal liability, although breaches of certain provisions of the ACI are governed by the Finnish Penal Code. Under the ACI, civil liability for damage caused due to wilful misconduct or negligence when performing their duties extends to the founder of a credit institution, the members of its supervisory board and board of directors, as well as the credit institution's managing director.

Funding

The main source of funding for banks operating in Finland is deposits. The banks fill the funding gap between lending to customers and accepting deposits by issuing bonds mainly to international wholesale capital markets. The market demand for the bond issuances of Finnish banks has remained satisfactory. The market has seen the introduction of CRR-compliant Additional Tier 1 and Tier 2 instruments. As part of the CRR regime, banks need to consider the capital adequacy treatment of each of the instruments. Being cautious about any possible strings attached, Finnish banks have not resorted to ECB special funding facilities to any significant extent.

Control of banks and transfers of banking business

Control regime

Prior notification to the FIN-FSA is required when acquiring shares or interests, either directly or indirectly, in a credit institution and thereby establishing a qualifying holding (i.e., at least 10 per cent of the shares or comparable other capital of the credit institution, or at least 10 per cent of the voting rights or other holding entitling the holder to exercise similarly significant influence in the credit institution).

The FIN-FSA must also be similarly notified if the holding in a credit institution is increased so that the proportion of the share or comparable other capital or voting rights held reaches or falls below any of the thresholds of 20, 30 or 50 per cent of the same, or results in the credit institution becoming or ceasing to be a subsidiary of the acquirer. The same notification requirements apply where an acquirer is party to an agreement or other arrangement that, if or when effected, will result in the acquirer's holding reaching, exceeding or falling below one of the aforementioned thresholds.

The names of the owners of holdings referred to above, as well as the sizes of those holdings, must be notified by the credit institution or its financial holding company to the FIN-FSA at least once a year, and any changes in the ownership of any holdings that have come to its notice must immediately be notified by the credit institution or its financial holding company.

The FIN-FSA may, within 60 business days of receipt of the notification, object to the acquisition of the holding if the holding would endanger the business operations of the credit institutions being carried out in accordance with prudent and sound business principles, and the endangerment is grounded on a breach of additional approval criteria.

The FIN-FSA may prohibit the exercise of voting rights in the credit institution by the acquirer for periods of one year at a time where an acquisition violated the acceptance criteria of the FIN-FSA's opposition or is not duly notified to the FIN-FSA, resulting in, inter alia, the suspension of all the rights related to shares or participations in a credit institution other than the right to profit.

The government proposal for the legislation implementing the CRD VI is expected to include amendments that expand the supervisory powers of the FIN-FSA in acquisitions and transfers of qualifying holding, in accordance with CRD VI.

Transfers of banking business

The Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company contains provisions on mergers, demergers and transfers of business of a credit institution operating in the form of a limited liability company. Corresponding transfers of business provisions are also included in the Savings Bank Act and in the Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative, which means that savings banks and cooperative banks are also able to transfer business to another credit institution in accordance with the special regime. The provisions require, inter alia, a merger, demerger or transfer plan to be prepared, and public summons to be given to the creditors of the bank, except for its depositors.

Creditors, excluding depositors, are entitled to object to the arrangement, usually within a period of three to four months of the date of the public summons. If the prompt completion of the arrangement is considered necessary by the FIN-FSA to safeguard the stable operation of a credit institution, the arrangement can be executed, despite any objections by creditors whose position will not be jeopardised by the arrangement, in the FIN-FSA's opinion.

Creditors who have objected to the arrangement under any other circumstance must give their consent and receive payment or be granted a security for their claims before the completion of the arrangement. Even though they are not considered creditors, banks' depositors must be informed of the arrangement. Depositors whose deposit would be excluded from the deposit guarantee in full or in part are entitled to terminate their deposits.

The FIN-FSA must be informed of the arrangement before the public summons is applied for and informed in due course of creditors' potential objections. The FIN-FSA has an individual right to object to the arrangement in the event that the receiving party will not need to apply for a new authorisation and the FIN-FSA considers that the arrangement endangers the fulfilment of the conditions for the bank's authorisation.

The implementation of CRD VI is expected to amend the current regulatory requirements for mergers and acquisitions and other reorganisations in the banking sector, as CRD VI introduces more detailed authority approval processes for such transactions.

Outlook and conclusions

In 2024, there was a substantial slowdown in inflation. However, consumer prices are expected to rise particularly in 2025 due to increases in value added tax and other indirect taxes on consumption.^[44] The weak economic growth, policies of the new US administration, particularly those concerning import tariffs, and the overall global uncertainty are posing challenges both to customers' repayment capacity and credit institutions' credit processes and operations in the near future. The 'new normal' with

regard to the role of artificial intelligence and developing digital technologies in customers' personal and professional lives has forced the traditional Finnish financial sector actors to adopt more digital solutions and revise their business models. Nevertheless, Finnish banks have historically demonstrated good resilience in challenging operating environments. For instance, the stress tests performed on Finnish banks by the European Banking Authority (EBA) in 2023, indicated that, as a whole, the Finnish banking sector has the capabilities to withstand a significant weakening of the operating environment.^[45] The EBA is set to conduct new stress tests of European banks in the first half of 2025. In addition, the FIN-FSA will conduct a national extension for the Finnish banking sector covering the eight banks directly supervised by the FIN-FSA.^[46] These stress tests will provide updated insight into the current state of resilience of Finnish banks.

The operating environment of the Finnish financial sector remained challenging for 2024 as the Finnish economy continued to be in a recession. However, the economy returned to growth during the year, and now the economy is making a slow recovery from recession. According to economic forecasts, GDP will grow by 1.3 per cent in 2025. Slowdown in inflation and falling interest rates have improved household purchasing power, but the growth in households' real disposable income is expected to be relatively slow in 2025 due to weak employment situation, cuts in social benefits and increases in value-added tax rates. Growth in Finland's export markets is expected to pick up speed as the euro area is recovering. However, the US trade policy and the uncertainty it is creating has lowered the growth forecast for this year's exports and GDP growth.^[47]

Despite the challenging operating environment caused by geopolitical risks, as well as pronounced credit risks in segments suffering from the weak cyclical situation, such as consumer credit and construction, the profitability of the Finnish banking sector's capital position has strengthened, as the banking sector's own funds increased due to overall solid performance. The banking sector's operating profit continued to grow, fuelled by the increase in net interest income. However, the increase slowed down and started to decline slightly towards the end of 2024 due to the decline in interest rates.^[48]

All in all, the Finnish banking sector is performing well and is expected to continue its solid performance. Finnish banks are well equipped to meet the challenges arising from anticipated developments in the macroeconomic environment, as well as from expected changes in the operational landscape and regulatory framework.

Endnotes

- 1 Source: FIN-FSA press release 19 March 2025. [^ Back to section](#)
- 2 Source: FIN-FSA press release 19 March 2025. [^ Back to section](#)
- 3 Source: Bank of Finland: Forecast for the Finnish economy – December 2024. [^ Back to section](#)
- 4 Source: Publications of the Ministry of Finance – 2025:14. [^ Back to section](#)
- 5 Source: Finance Finland: Finnish Banking 2024. [^ Back to section](#)

- 6 Source: Bank of Finland statistics on 30 April 2025. ^ [Back to section](#)
- 7 Source: FIN-FSA press release on 19 March 2025. ^ [Back to section](#)
- 8 Regulation (EU) 2022/2554. ^ [Back to section](#)
- 9 Source: FIN-FSA Annual Report 2024. ^ [Back to section](#)
- 10 Source: FIN-FSA press release on 23 January 2025. ^ [Back to section](#)
- 11 Source: FIN-FSA Annual Report 2024. ^ [Back to section](#)
- 12 Source: FIN-FSA Macroprudential decisions 2024. ^ [Back to section](#)
- 13 Source: FIN-FSA supervision release 1 February 2024 – 5/2024. ^ [Back to section](#)
- 14 Source: FIN-FSA Annual Report 2024. ^ [Back to section](#)
- 15 Directive (EU) 2024/1760. ^ [Back to section](#)
- 16 Regulation (EU) 2020/852. ^ [Back to section](#)
- 17 Directive (EU) 2022/2464. ^ [Back to section](#)
- 18 Directive (EU) 2025/794. ^ [Back to section](#)
- 19 Source: Ministry of Finance: Assessment report on current needs to amend legislation on banking services and credit institutions, publications of the Ministry of Finance 2024:14 (Financial Markets Department). ^ [Back to section](#)
- 20 Directive (EU) 2024/1619. ^ [Back to section](#)
- 21 Regulation (EU) 2024/1623. ^ [Back to section](#)
- 22 610/2014. ^ [Back to section](#)
- 23 Directive 2013/36/EU. ^ [Back to section](#)
- 24 Regulation (EU) No. 575/2013. ^ [Back to section](#)
- 25 Initiative: VM188:00/2024. ^ [Back to section](#)
- 26 28.12.2001/1501. ^ [Back to section](#)
- 27 624/2006. ^ [Back to section](#)

- 28** 423/2013. ^ [Back to section](#)
- 29** 421/2013. ^ [Back to section](#)
- 30** 151/2022. ^ [Back to section](#)
- 31** 8.12.1978/936. ^ [Back to section](#)
- 32** 1502/2001. ^ [Back to section](#)
- 33** 599/2010. ^ [Back to section](#)
- 34** 878/2008. ^ [Back to section](#)
- 35** Article 92(3) of the CRR. ^ [Back to section](#)
- 36** Article 4(1)(118) of the CRR. ^ [Back to section](#)
- 37** These credit institutions are Nordea Group, OP Financial Group and Municipal Finance Plc. ^ [Back to section](#)
- 38** Commission Delegated Regulation (EU) 2015/61. ^ [Back to section](#)
- 39** Regulation (EU) No. 806/2014. ^ [Back to section](#)
- 40** 1194/2014. ^ [Back to section](#)
- 41** 1195/2014. ^ [Back to section](#)
- 42** Namely Nordea Bank Plc, OP Cooperative and Municipal Finance Plc. ^ [Back to section](#)
- 43** Directive 2014/92(EU). ^ [Back to section](#)
- 44** Source: Bank of Finland: Forecast for the economy – December 2024. ^ [Back to section](#)
- 45** Source: FIN-FSA press release on 28 July 2023. ^ [Back to section](#)
- 46** Source: FIN-FSA supervision release 20 February 2025. ^ [Back to section](#)
- 47** Source: Publications of the Ministry of Finance – 2025:14. ^ [Back to section](#)
- 48** Source: FIN-FSA press release 19 March 2025. ^ [Back to section](#)



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