

A large, abstract graphic of a network or sphere made of interconnected blue nodes and lines, positioned in the upper right background of the page.

# Finland

## Regulation

FUNDS AND FUND MANAGEMENT 2009

### 2.1 Type of funds

Open-ended mutual funds are organized in Finland as investment funds (in Finnish, sijoitusrahasto). Finnish investment funds can be either funds (ordinary investment funds) that are covered by the EU Council Directive on undertakings for collective investment in transferable securities (UCITS; 85/611/EEC) or funds that do not comply with the standards of the Directive (special investment funds).

### 2.2 Laws

Investment funds are at present governed by the Act on Common Funds (sijoitusrahastolaki, 29.1.1999/48). The Act became effective as from 1 February 1999.

### 2.3 Managers, trustees, and custodians

Banking companies subject to public control may act as custodians or trustees of funds. A separate custodian company can act as custodian or trustee of funds. The management company and the custodian shall conclude a written contract on the keeping and management of the assets of a fund as well as on the other duties. The establishing equity capital of a custodian company must be at least EUR 730,000.

Only a fund management company, which must be a limited company, may act as manager of a fund. The minimum share capital of a fund management company is EUR 125,000. A fund management company may represent one or more funds. There must be at least three members on the board of the fund management company. In practice, the fund management companies have also a managing director. The management must comply with fit and proper requirements determined by the FSA regulation.

The fees of managers and trustees of a fund are regulated by the rules of the fund and are subject to approval by the FSA.

### 2.4 Investment restrictions

Ordinary investment funds cannot as a main rule invest more than 10 percent of their assets in non-quoted securities or financial instruments. In general not more than 10 percent of the assets of the fund may be invested in the securities or financial instruments of any single issuer. The fund may not hold more than 10 percent of the securities of any company's capital or 10 percent of the number of votes carried by all the shares.

Special rules apply to deposits in credit institutions, investments in other investment funds, investments in real estates, derivative contracts, and bonds. FSA may grant permission for the establishment of a special investment fund in which case it is possible to apply for exemption from the above-mentioned restrictions. Special investment funds shall invest in securities and derivatives according to the principle of risk spreading.

### 2.5 Borrowing

The management company may, by permission of the FSA, on a temporary basis for fund activity take a loan in the name of the fund the amount of which corresponds to a maximum of 10 percent of the assets of the fund. A management company may not grant a credit from the assets of a fund nor grant a guarantee or other collateral for commitments of a third party. Securities, money-market instruments, or derivatives contracts, which are not fully paid-up, may, however, be acquired to an investment fund.

Special investment funds may depart from the abovementioned restrictions in the rules of the fund. In addition, several provisions of the Act on Real Estate Investment Funds (kiinteistörahastolaki, 19.12.1997/1173) shall be applied to a special investment fund investing to real property.

### 2.6 Accounts and prospectus

The management company shall publish an annual report on each fund managed by it for each financial period. The management company shall also publish a semi-annual report on each investment fund managed by it at least for the first six months of each financial period (quarterly for special investment funds). The semiannual report shall be published within two months from the end of the report period. The net asset valuation of an investment fund must be reviewed by a chartered accountant at least six times during the financial year. Between the reviews must be at least one month, but not more than three months.

The management company shall publish a fund prospectus on each fund managed by it. The fund prospectus shall be kept up to date and it shall be appended with the rules of the investment fund. In addition, the prospectus shall be notified to the FSA. The management company shall also publish a simplified fund prospectus of each fund managed by it.

## 2.7 Supervision

The supervisory authority for funds operating in Finland is Finanssivalvonta (Fiva), or the Financial Supervisory Authority (FIN-FSA, P.O. Box 103, FI-00101Helsinki).

## 2.8 Fund ownership

An investment fund must have at least 50 unitholders and a minimum capital of EUR 2 million. There are no restrictions concerning foreign unit holders. A special investment fund investing to real property must have at least 10 unit holders if there is a provision in the rules of the fund stating that each unitholder shall subscribe units for at least to amount of EUR 1 million.

The assets of the fund are legally owned by the unitholders and the fund holds the assets for the common benefit of the unit holders.

## 2.9 Fund structure

Funds of funds are permitted in Finland. Umbrella funds are not allowed in Finland, but the units in a fund can be either yield or growth units or the fund can have both yield and growth units. The value of the units in a fund in the same class must be equal and they must carry equal rights to the assets of the fund.

Hedge funds can be established under the regulations governing special investment funds. Hedge funds are legally organized in the same way as ordinary investment funds which mean that they cannot be totally closed-ended although the open-ended nature can be restricted. Hedge funds can borrow money, lend and borrow stocks, sell stocks short, etc. The only legal requirement for the investment policy of hedge funds is that the investment risk must be spread.

## 2.10 Stock exchange

Fund units are not usually (with one exception) quoted and are not subject to public trade in stock exchange. NASDAQ OMX Helsinki publishes the values of Finnish fund units daily.

## 2.11 Bank secrecy

In Finland there are general bank secrecy laws with exemptions only for cases which may have criminal law or taxation implications. Money laundering laws have been enacted.

### 2.12 Fund set-up

The approximate time for the incorporation of a management company and entering it into the Finnish Trade Register is one to three weeks. The FSA shall grant the authorization of a management company upon application. The application shall be decided on 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 on the matter. However, a decision on the granting of an authorization shall always be made within 12 months from receipt of the application.

The FSA manages the fund register in which the rules of a fund and of a fund management company must be registered. The costs of establishing a fund depend heavily on the amount of professional assistance required by the promoters.

### 2.13 Foreign funds

In general, EEA resident UCITS funds may, after a notification to the FSA, market their units in Finland provided that they have authorization to do so in their home country. Funds resident outside the EEA have to apply for an approval from the FSA.

Foreign non-UCITS funds (such as hedge funds) must apply for a license to market units in Finland.

### 2.14 Bearer shares

Bearer shares (including units) are not allowed in Finland. However, foreign unit holders can be nominee-registered if fund units are in the book entry securities system. Thus the fund needs to register only the name of the custodian administering the unit holders' units.

### 2.15 Use of the internet

The internet is commonly used in the trade of investment fund units.

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