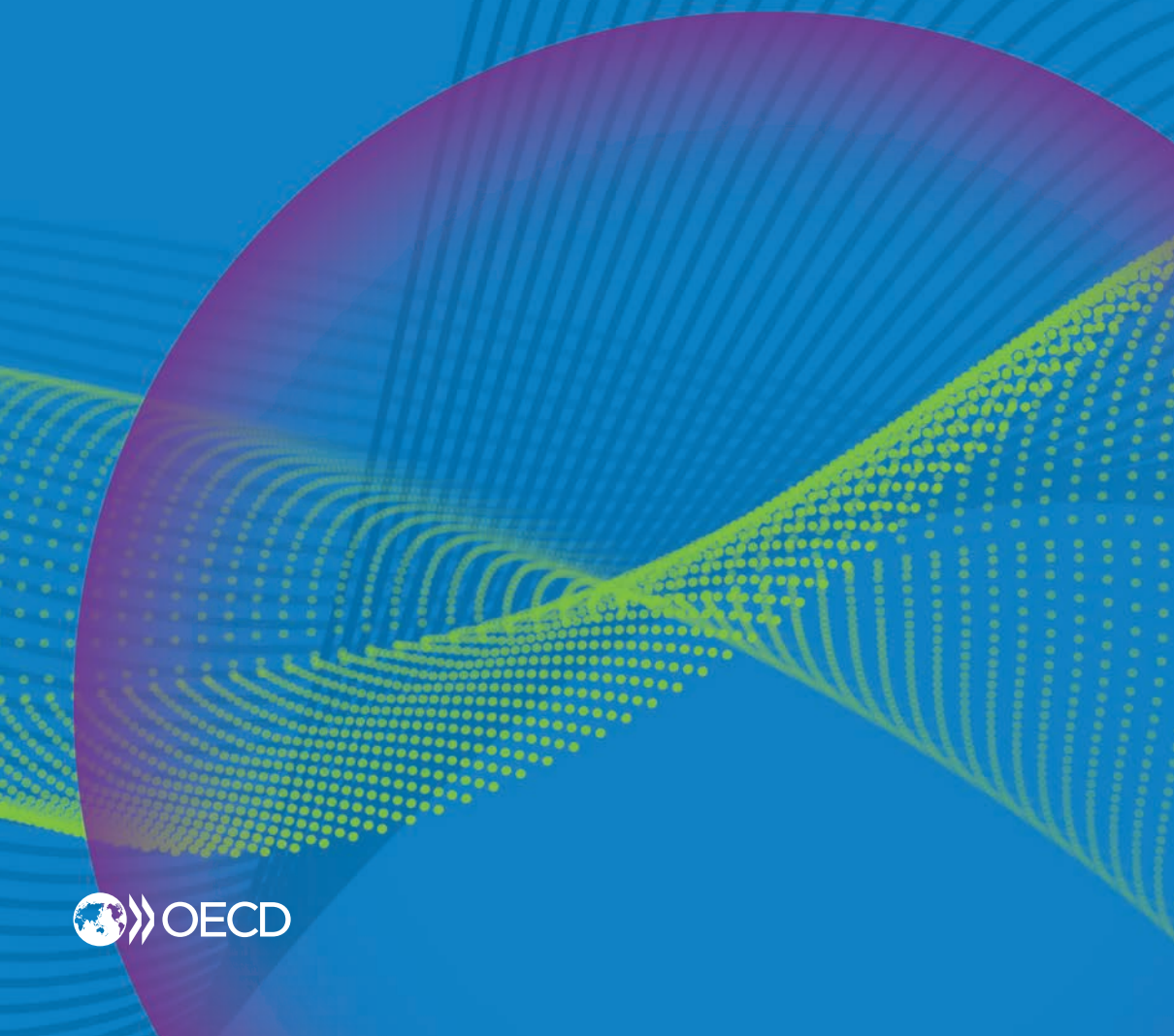
GLOBAL FORUM ON

TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

Peer Review Report on the Exchange of Information on Request

FINLAND

2022 (Second Round)



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Global Forum on Transparency and Exchange of Information for Tax Purposes: Finland 2022 (Second Round)

PEER REVIEW REPORT ON THE EXCHANGE OF INFORMATION ON REQUEST

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Reader's guide

The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) is the multilateral framework within which work in the area of tax transparency and exchange of information is carried out by over 160 jurisdictions that participate in the Global Forum on an equal footing. The Global Forum is charged with the in-depth monitoring and peer review of the implementation of the international standards of transparency and exchange of information for tax purposes (both on request and automatic).

Sources of the Exchange of Information on Request standards and Methodology for the peer reviews

The international standard of exchange of information on request (EOIR) is primarily reflected in the 2002 OECD Model Agreement on Exchange of Information on Tax Matters and its commentary, Article 26 of the OECD Model Tax Convention on Income and on Capital and its commentary and Article 26 of the United Nations Model Double Taxation Convention between Developed and Developing Countries and its commentary. The EOIR standard provides for exchange on request of information foreseeably relevant for carrying out the provisions of the applicable instrument or to the administration or enforcement of the domestic tax laws of a requesting jurisdiction. Fishing expeditions are not authorised but all foreseeably relevant information must be provided, including ownership, accounting and banking information.

All Global Forum members, as well as non-members that are relevant to the Global Forum's work, are assessed through a peer review process for their implementation of the EOIR standard as set out in the 2016 Terms of Reference (ToR), which break down the standard into 10 essential elements under three categories: (A) availability of ownership, accounting and banking information; (B) access to information by the competent authority; and (C) exchanging information.

The assessment results in recommendations for improvements where appropriate and an overall rating of the jurisdiction's compliance with the EOIR standard based on:

1. The implementation of the EOIR standard in the legal and regulatory framework, with each of the element of the standard determined to be either (i) in place, (ii) in place but certain aspects need improvement, or (iii) not in place.
2. The implementation of that framework in practice with each element being rated (i) compliant, (ii) largely compliant, (iii) partially compliant, or (iv) non-compliant.

The response of the assessed jurisdiction to the report is available in an annex. Reviewed jurisdictions are expected to address any recommendations made, and progress is monitored by the Global Forum.

A first round of reviews was conducted over 2010-16. The Global Forum started a second round of reviews in 2016 based on enhanced Terms of Reference, which notably include new principles agreed in the 2012 update to Article 26 of the OECD Model Tax Convention and its commentary, the availability of and access to beneficial ownership information, and completeness and quality of outgoing EOI requests. Clarifications were also made on a few other aspects of the pre-existing Terms of Reference (on foreign companies, record keeping periods, etc.).

Whereas the first round of reviews was generally conducted in two phases for assessing the legal and regulatory framework (Phase 1) and EOIR in practice (Phase 2), the second round of reviews combine both assessment phases into a single review. For the sake of brevity, on those topics where there has not been any material change in the assessed jurisdictions or in the requirements of the Terms of Reference since the first round, the second round review does not repeat the analysis already conducted. Instead, it summarises the conclusions and includes cross-references to the analysis in the previous report(s). Information on the Methodology used for this review is set out in Annex 3 to this report.

Consideration of the Financial Action Task Force Evaluations and Ratings

The Financial Action Task Force (FATF) evaluates jurisdictions for compliance with anti-money laundering and combating terrorist financing (AML/CFT) standards. Its reviews are based on a jurisdiction's compliance with 40 different technical recommendations and the effectiveness regarding 11 immediate outcomes, which cover a broad array of money-laundering issues.

The definition of beneficial owner included in the 2012 FATF standards has been incorporated into elements A.1, A.3 and B.1 of the 2016 ToR. The 2016 ToR also recognises that FATF materials can be relevant for carrying out EOIR assessments to the extent they deal with the definition of beneficial ownership, as the FATF definition is used in the 2016 ToR (see 2016 ToR, Annex 1, part I.D). It is also noted that the purpose for which the FATF materials have been produced (combating money-laundering and terrorist financing) is different from the purpose of the EOIR standard (ensuring effective exchange of information for tax purposes), and care should be taken to ensure that assessments under the ToR do not evaluate issues that are outside the scope of the Global Forum's mandate.

While on a case-by-case basis an EOIR assessment may take into account some of the findings made by the FATF, the Global Forum recognises that the evaluations of the FATF cover issues that are not relevant for the purposes of ensuring effective exchange of information on beneficial ownership for tax purposes. In addition, EOIR assessments may find that deficiencies identified by the FATF do not have an impact on the availability of beneficial ownership information for tax purposes; for example, because mechanisms other than those that are relevant for AML/CFT purposes exist within that jurisdiction to ensure that beneficial ownership information is available for tax purposes.

These differences in the scope of reviews and in the approach used may result in differing conclusions and ratings.

More information

All reports are published once adopted by the Global Forum. For more information on the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes, and for copies of the published reports, please refer to www.oecd.org/tax/transparency and http://dx.doi.org/10.1787/2219469x.

Abbreviations and acronyms

2016 TOR	Terms of Reference related to EOIR, as approved by the Global Forum on 29-30 October 2015
AAP	Act on Assessment Procedure
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
BEPS	Base Erosion and Profit Shifting
BO register	The (central) Beneficial Ownership Register
CDD	Customer Due Diligence
CSD	Central Securities Depository
DTC	Double Taxation Convention
DVV	Digital and Population Data Services Agency
EEA	European Economic Area
EEIG	European Economic Interest Groupings
EOI	Exchange of Information
EOIR	Exchange of Information on Request
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FIN-FSA	Financial Supervisory Authority
FTA	Finnish Tax Administration
Global Forum	Global Forum on Transparency and Exchange of Information for Tax Purposes

LLCA	Limited Liability Companies Act
LLHC	Limited liability housing company
LLJSPC	Limited liability joint-stock property company
Multilateral Convention	Convention on Mutual Administrative Assistance in Tax Matters, as amended in 2010
ML/TF	Money-laundering/terrorist financing
Oy	Private limited liability company
Oyj	Public limited liability company
PRO	Patent and Registration Office
RSAA	Regional State Administrative Agency
SE	*Societas Europea* (European Company)
TIEA	Tax Information Exchange Agreement
TVL	Finnish Income Tax Act

Executive summary

1. This report analyses the implementation of the standard of transparency and exchange of information on request in Finland on the second round of reviews conducted by the Global Forum. It assesses both the legal and regulatory framework in force on 28 March 2022 and the practical implementation of this framework against the 2016 Terms of Reference, including in respect of exchange of information requests received and sent during the review period from 1 January 2018 to 31 December 2020. This report concludes that Finland is rated overall **Largely Compliant** with the standard. In 2013 the Global Forum evaluated Finland in a combined review against the 2010 Terms of Reference for both the legal implementation of the EOIR standard as well as its operation in practice. The report of that evaluation (the 2013 Report) concluded that Finland was rated Compliant overall.

Comparison of ratings for First Round Report and Second Round Report

Element	First Round Report (2013)	Second Round Report (2022)
A.1 Availability of ownership and identity information	Compliant	Partially Compliant
A.2 Availability of accounting information	Compliant	Compliant
A.3 Availability of banking information	Compliant	Partially Compliant
B.1 Access to information	Compliant	Compliant
B.2 Rights and Safeguards	Compliant	Compliant
C.1 EOIR Mechanisms	Compliant	Compliant
C.2 Network of EOIR Mechanisms	Compliant	Compliant
C.3 Confidentiality	Compliant	Compliant
C.4 Rights and safeguards	Compliant	Compliant
C.5 Quality and timeliness of responses	Compliant	Compliant
OVERALL RATING	COMPLIANT	LARGELY COMPLIANT

Note: the four-scale ratings are Compliant, Largely Compliant, Partially Compliant, and Non-Compliant.

Progress made since previous review

2. Finland was rated compliant on all aspects of the standard in its 2013 Report but has nonetheless continued making progress in transparency. Finland received one recommendation in the Round 1 review to continue expanding its network of exchange of information (EOI) relationships. Finland has acted upon this recommendation by concluding and updating a number of bilateral EOI agreements, as set out in Part C of the present report.

3. Finland has introduced substantive legislative changes to its anti-money laundering (AML) framework in order to implement the European Union's 4th AML Directive. This was done by updating the Act on Preventing Money Laundering and Terrorist Financing in 2017, which modified the beneficial ownership definitions for all legal entities and legal arrangements. The Act also introduces obligations on Finnish legal entities and Finnish trustees of foreign trusts to maintain information on their beneficial owners, and to report this information to Finland's central beneficial ownership register. They must also keep the central beneficial ownership register up to date following changes in their beneficial ownership. This register was introduced in 2019 and is available to supervisory authorities and any persons subject to customer due diligence obligations under the AML framework. The register also serves as the primary source of beneficial ownership information for the Finnish Tax Administration in the case of a request for exchange of information (EOI).

4. Although many foreign entities were tax resident in Finland where there was a relevant double taxation convention in place, Finland updated its tax legislation to ensure all foreign entities with a place of effective management in Finland are tax resident. As tax residents are required to file certain legal ownership information with the tax authority, this should expand the availability of legal ownership in Finland on foreign entities.

Key recommendations

5. The key recommendations in this report relate to the standard as strengthened in 2016 to require the availability of information on the beneficial owners of legal entities and arrangements. Finland's updated Act on Preventing Money Laundering and Terrorist Financing seeks to meet these requirements through updated beneficial ownership definitions and a requirement on entities to maintain information on their beneficial owners and report this to the central beneficial ownership register. This register will facilitate the Finnish Tax Administration's access to beneficial ownership information in an efficient manner when partners request this information. However, not all definitions of beneficial ownership are in line with the standard. This includes the definition of beneficial ownership used by AML-obliged persons when carrying out due diligence on corporate entities

and the definition used by the entities themselves in respect of the central beneficial ownership register, limiting the reliability of the information held there. There are also deficiencies with respect to ensuring that the beneficial ownership information in the register and with AML-obliged persons is up to date, and Finland does not have effective sanctions in place to ensure that the information is reported to the beneficial ownership register, as required. In practice, supervisory authorities and AML-obliged persons do not always have a clear and consistent understanding on the application of the beneficial ownership definitions. These gaps in the legal framework mean that the information on beneficial owners available in the register and with AML-obliged persons may not always be up to date, accurate or in line with the standard. Therefore for both Elements A.1 and A.3, Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information be available for all relevant entities and arrangements and for all bank accounts, in accordance with the standard. For Element A.1, Finland is also recommended to introduce effective sanctions for failure to provide beneficial ownership information to the register.

6. Although the central beneficial ownership register provides the primary source of beneficial ownership information in the case of an EOI request, no authority is by law responsible for verifying its accuracy, and activity undertaken to ensure its completeness has been very limited in practice. Additionally, the requirement on AML-obliged persons to notify the registry of discrepancies, which acts as an important check on the accuracy of the register's information, does not always appear to be well understood. Significantly, despite indications that AML obligations have not always been well understood or adhered to, there have been few supervisory activities undertaken to ensure that AML-obliged persons, including banks, correctly comply with the requirements to identify the beneficial owners of their customers. Therefore, for both Elements A.1 and A.3, Finland has been recommended to put in place a comprehensive and effective supervision programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements and for all bank accounts.

Exchange of information

7. Finland has continued to demonstrate effectiveness in the exchange of information by providing almost all information requested, and doing so in a timely manner. During the review period Finland received close to 800 EOI requests and replied to 99% of requests within 90 days. Finland's organisation and procedures to process EOI requests are complete and coherent. This was corroborated in the peer input from Finland's partners which were generally very satisfied with what they consider as a co-operative and effective working relationship with Finland (see Element C.5).

Overall Rating

8. Finland has been assigned a rating for each of the ten essential elements as well as an overall rating. The ratings for the essential elements are based on the analysis in the text of the report, taking into account any recommendations made in respect of Finland's legal and regulatory framework and the effectiveness of its exchange of information in practice. On this basis, Finland has been assigned the following ratings: Compliant for elements A.2, B.1, B.2, C.1, C.2, C.3, C.4 and C.5, and Partially Compliant for elements A.1 and A.3. In view of the ratings for each of the essential elements taken in their entirety, the overall rating for Finland is Largely Compliant.

9. This report was approved at the Peer Review Group of the Global Forum on 6 July 2022 and was adopted by the Global Forum on 5 August 2022. A follow up report on the steps undertaken by Finland to address the recommendations made in this report should be provided to the Peer Review Group no later than 30 June 2023 and thereafter in accordance with the procedure set out under the Methodology for peer reviews and non-member reviews.

Summary of determinations, ratings and recommendations

Determinations and ratings	Factors underlying recommendations	Recommendations
Jurisdictions should ensure that ownership and identity information, including information on legal and beneficial owners, for all relevant entities and arrangements is available to their competent authorities *(ToR A.1)*		
The legal and regulatory framework is in place but needs improvement	The definitions of beneficial ownership to be applied by corporate entities to report beneficial owners to the central register and by AML-obliged persons in respect of some corporate entity customers is not in line with the standard. Natural persons with more than 25% indirect shareholdings, voting rights or the equivalent are not always identified as beneficial owners. Corporate entities are not required to look through more than two layers of their company structure to identify beneficial ownership for the purposes of the register. Natural persons with effective control through other means are not required to be identified by entities in respect of the register, and they must only be identified by AML-obliged persons to an extent considered appropriate to the money laundering risks of a customer. The beneficial ownership definition applicable to limited liability housing companies, limited liability joint-stock property companies and foundations is limited only to “the members of the board of directors”. The requirements on AML-obliged persons do not specify the frequency to update the beneficial ownership information of their customers and they do not clarify when verification must be undertaken. Although legal entities and arrangements must update the central beneficial ownership register “without delay”, the system in place does not ensure that changes in beneficial ownership are brought to their attention. This means that adequate, accurate and up-to-date information may not always be available.	Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard.

Determinations and ratings	Factors underlying recommendations	Recommendations
	The process to apply sanctions in cases of failure to provide beneficial ownership information to the register is considered cumbersome by Finland's Trade Register and time-consuming to administer in practice. As a result, Finland has not applied any sanctions to date.	Finland should introduce effective sanctions for failure to provide beneficial ownership information to the register.
	Foreign companies are only required to maintain legal ownership information under Finnish law to the extent that they are required to report in their tax returns ownership holdings of above 10%. The availability of any further information will be dependent on the law of the jurisdiction in which the company is incorporated and so may not be available in all cases. The limited exemptions to tax reporting requirements on transfers of shareholdings and the absence of a requirement on companies to ensure the retention of legal ownership information could result in deficiencies in the availability of legal ownership information in certain, limited cases where companies cease to exist.	Finland should ensure that legal ownership information is available for all relevant entities for at least five years.

Determinations and ratings	Factors underlying recommendations	Recommendations
EOIR Rating: Partially Compliant	Finland's primary source of beneficial ownership information is the beneficial ownership register that was implemented in 2019. The information is provided by legal entities and arrangements, however the register is not yet fully populated and there is no supervisory authority responsible for ensuring that the information kept and reported by entities is correct. Where the Trade Register has been made aware of a discrepancy, or non-filing, no enforcement action has been taken to date. As an external check on the quality of the information recorded in the central register, AML-obliged persons are required to file discrepancy reports to the trade register, however it does not appear that this obligation is well understood in practice. In addition, audit statistics across many AML-obliged persons reveal insufficient supervision, meaning compliance with their AML obligations and the accuracy of the information they hold cannot be ensured. This appears to have resulted from the limited human resources allocated to AML supervision across supervisory authorities. These issues, in addition to deficiencies in the related legal and regulatory framework, cause concern on the availability of accurate information in the beneficial ownership register and with AML-obliged persons.	Finland is recommended to put in place a comprehensive and effective supervision programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements.
Jurisdictions should ensure that reliable accounting records are kept for all relevant entities and arrangements *(ToR A.2)*		
The legal and regulatory framework is in place		
EOIR Rating: Compliant		

Determinations and ratings	Factors underlying recommendations	Recommendations
Banking information and beneficial ownership information should be available for all account-holders *(ToR A.3)*		
The legal and regulatory framework is in place but needs improvement	The definition of beneficial ownership to be applied by banks in respect of corporate entity customers is not in line with the standard. Natural persons with more than 25% indirect shareholdings, voting rights or the equivalent are not always identified as beneficial owners. Moreover, banks are only required to identify natural persons with effective control through other means to an extent considered appropriate to the money laundering risks of the customer. The beneficial ownership definition applicable to limited liability housing companies, limited liability joint-stock property companies and foundations is limited only to "the members of the board of directors". There are also deficiencies in the requirements on banks to update and verify the beneficial ownership information of customers.	Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all bank accounts, in accordance with the standard.
	The AML Act provides banks with exceptions to the requirement to obtain beneficial ownership information on bank account holders, where these are identified as client fund accounts opened by attorneys.	Finland is recommended to ensure that beneficial ownership information is available in Finland in all cases at all times in respect of bank accounts that are client fund accounts.

Determinations and ratings	Factors underlying recommendations	Recommendations
EOIR Rating: Partially Compliant	The Financial Supervisory Authority's AML inspection activities on banks were low in number throughout the review period with only two inspections carried out from over 200 supervised banks. In light of the number of supervised entities, and the new customer due diligence requirements introduced in the AML Act and corresponding challenges, this number is considered insufficient.	Finland is recommended to strengthen its supervision to ensure that adequate, accurate and up-to-date beneficial ownership information for all account holders is maintained by all banks in Finland, in accordance with the standard.
Competent authorities should have the power to obtain and provide information that is the subject of a request under an exchange of information arrangement from any person within their territorial jurisdiction who is in possession or control of such information (irrespective of any legal obligation on such person to maintain the secrecy of the information) *(ToR B.1)*		
The legal and regulatory framework is in place	Although professional secrecy has not impeded Finland from providing information in practice, the scope of attorney-client privilege in tax matters is not clear. Furthermore, it is unclear whether Finland's professional secrecy laws extend to customer funds accounts, which could prevent access to and exchange of beneficial ownership information concerning these accounts.	Finland is recommended to clarify the scope of professional privilege for the purpose of the exchange of information in tax matters, to ensure it is consistent with the international standard.
EOIR Rating: Compliant		

Determinations and ratings	Factors underlying recommendations	Recommendations
The rights and safeguards (e.g. notification, appeal rights) that apply to persons in the requested jurisdiction should be compatible with effective exchange of information *(ToR B.2)*		
The legal and regulatory framework is in place		
EOIR Rating: Compliant		
Exchange of information mechanisms should provide for effective exchange of information *(ToR C.1)*		
The legal and regulatory framework is in place		
EOIR Rating: Compliant		
The jurisdictions' network of information exchange mechanisms should cover all relevant partners *(ToR C.2)*		
The legal and regulatory framework is in place		
EOIR Rating: Compliant		
The jurisdictions' mechanisms for exchange of information should have adequate provisions to ensure the confidentiality of information received *(ToR C.3)*		
The legal and regulatory framework is in place		
EOIR Rating: Compliant	The disclosure to information holders of the jurisdiction that has made the relevant EOI request, where this is not necessary for gathering the requested information, is not in accordance with the Standard. During the review period, Finland did not inform its EOI partners that they can ask for an exception to mention the EOI nature or the name of the jurisdiction in the notice issued to information holders.	Finland should ensure that information holders are only provided details necessary to obtain the requested information.

Determinations and ratings	Factors underlying recommendations	Recommendations
The exchange of information mechanisms should respect the rights and safeguards of taxpayers and third parties *(ToR C.4)*		
The legal and regulatory framework is in place	Although professional secrecy has not impeded Finland from providing information in practice, the scope of attorney-client privilege in tax matters is not clear. Furthermore, it is unclear whether Finland's professional secrecy laws extend to customer funds accounts, which could prevent access to and exchange of beneficial ownership information concerning these accounts.	Finland is recommended to clarify the scope of professional privilege for the purpose of the exchange of information in tax matters, to ensure it is consistent with the international standard
EOIR Rating: Compliant		
The jurisdiction should request and provide information under its network of agreements in an effective manner *(ToR C.5)*		
The legal and regulatory framework is in place	This element involves issues of practice. Accordingly, no determination on the legal and regulatory framework has been made.	
EOIR Rating: Compliant		

Overview of Finland

10. This overview provides some basic information about Finland that serves as context for understanding the analysis in the main body of the report.

Legal system

11. Finland is a parliamentary democracy with a multi-party system. Finland's head of state is the President of the Republic, elected by direct popular vote for up to two six-year terms, and executive powers are shared between the President and the Prime Minister. The President is empowered under the Constitution to appoint the government and directs national security and foreign affairs policies, while the Prime Minister has primary responsibility for all other areas. The 200-member Finnish Parliament is the legislative branch which enacts all ordinary Acts and determines any amendments to the Constitution. Acts of Parliament may vest other bodies with the authority to issue regulations on certain matters. The insular province of Åland (Åland Islands) is an autonomous region with its own government and parliament as well as legislative power in questions that are within its competence and listed in Act on the Autonomy of Åland. For the purpose of this review, this does not include autonomy in respect of company law, tax residency rules, and exchange of information in practice. Although Åland does have devolved AML supervision responsibilities, these are limited to the gambling and real estate sectors with all other AML-obliged persons subject to authorities responsible at national level (see sub-Element A.1.1).

12. The legal system in Finland is based on civil law and is influenced by both Swedish law and the Scandinavian and German legal traditions. The hierarchy of laws in Finland is as follows: i) the Constitution; (ii) Ordinary Acts (Acts of Parliament), iii) Decrees issued by the President of the Republic or the Council of Ministers and ministries; iv) regulations issued by lower-ranking authorities. As a Member State of the European Union (EU), Finland is also subject to its treaties, laws, regulations and directives. Guidance may be made available by the relevant authorities on the application of laws, which may include binding instruction.

13. Finnish sources of law are customarily divided into strongly binding, weakly binding and admissible sources. Acts and custom are the strongly binding sources, but because most laws are statutory, customary law applies in practice relatively rarely. Weakly binding sources consist of the preparatory legislative work, outlining the legislation's intention, and court rulings.

14. International treaties on tax matters signed by Finland, including double tax conventions (DTCs), tax information exchange agreements (TIEAs) and the Multilateral Convention, are incorporated into Finnish domestic law through an Act of Parliament. Acts that implement treaties are considered *lex specialis* and therefore take precedence over any other ordinary statutory law in the case of inconsistencies. Finland is also a signatory of the Vienna Convention on the Law of Treaties.

Tax system

15. Under the Finnish Constitution, the right of taxation lies with the State (central government), the municipalities (communes) and the local communities of the Evangelical and Orthodox Churches. Income tax is levied under the Finnish Income Tax Act (TVL). Under this Act, resident taxpayers are subject to tax on their worldwide income, while non-residents are taxed on income originating from Finland (Sections 9 and 10, TVL). The national tax system is administered by the Finnish Tax Administration (FTA).

16. Individuals are taxed separately on earned income and investment income (e.g. dividends). Earned income (salaries, wages and benefits in kind) is subject to national income tax, municipal income tax and church tax (for members of churches). Investment income is subject to national tax only. These taxes are collected via a withholding tax mechanism, mainly through employers and by banks and credit institutions in respect of bank interest. The tax authority also sends a pre-completed tax return to the taxpayer, containing an estimated assessment based on information collected from various third party sources subject to reporting obligations under law, such as the employers, banks, pension funds, insurance companies and the stock exchange. The taxpayer is then able to make any amendments or corrections to the pre-completed return online.

17. Assessment of taxable income for a non-resident individual is determined under the same procedure as for residents. Individuals are subject to a progressive income rate for earned income and a flat rate for investment income. The taxation on earned income consists of the progressive national rate (6% to 31.25%), communal tax (between 16.5% and 22.5%; average of 19.88%), social security contribution (2%) and, if applicable, church tax (between 1% and 2.15%). The overall tax rate for earned income ranges from 0% to around 55%. The national tax rate is 30% for investment income, including capital gains, and 34% if the income exceeds EUR 30 000.

18. Company tax regulations relating to corporations are contained in the Business Income Tax Law. Corporate taxpayers are subject only to taxes at a national level. The Business Income Tax Law sets out how net business income should be determined and in the absence of any provision concerning a particular stream of income, the income is subject to taxation under the TVL. Resident private limited companies (Oy), public limited companies (Oyj), co-operatives, European companies (SE), branches, permanent establishments of foreign companies and all companies treated as corporate bodies are subject to corporate income tax at a flat rate of 20%. General and limited partnerships, European economic interest groupings (EEIGs), and trusts or other legal arrangements are not recognised as separate taxpayers and their profits are taxed in the hands of the respective partners or beneficiaries.

19. The TVL does not contain provisions defining the meaning of "residence" for tax purposes with regard to corporate bodies, but according to present practice, a corporate body is regarded as resident in Finland only if it is registered (incorporated) in Finland or otherwise established under Finnish Law. Generally, foreign companies were not considered resident for tax purposes in Finland even if they were effectively managed in Finland until a recent tax reform. Nevertheless, such presence may create a permanent establishment if the conditions set out in domestic law and the definitions under the relevant Double Taxation Conventions (DTCs) are met. Resident companies are subject to tax on their worldwide income and branches of non-resident companies are taxed on their Finnish-sourced income and on income attributable to the branch.

Financial and legal services sector

20. Finland has a sound financial sector with the banking and insurance sector accounting for around 3% of Finland's GDP. Finland is the only Nordic EU Member State that is also a full participating member country of the European Union's Banking Union, which is intended to ensure consistent application of EU banking rules through common supervision and resolution mechanisms. While most entities focus on the domestic and regional market, there is a small number of international financial actors, with one of Northern Europe's largest banks having recently moved its domicile there. Total assets held by banks at the end of 2019 amounted to EUR 725 billion with total banking assets (excluding the Bank of Finland) equating to slightly over 300% of GDP. Three major banking groups dominate the banking sector, together holding around 80% of deposits.

21. Finland has 226 regulated credit institutions, 285 insurance businesses, 54 investment firms, 128 alternative investment fund managers, and 29 fund management companies regulated by Finland's Financial Supervisory Authority (FIN-FSA). FIN-FSA carries out both prudential and

AML/CFT supervision. The two largest domestic deposit banks, a Finnish branch of a large international branch and a Finnish non-deposit bank, are deemed domestically significant institutions and are therefore also subject to supervision by the European Central Bank.

22. Finland has a broad AML framework with a large number of professionals subject to AML obligations, including a substantial number of legal practitioners with 2 750 advocates and lawyers. Along with 2 152 auditors, 2 268 accountants, and a large number of many other non-financial professionals, they are supervised for AML purposes by the Regional State Administrative Agency (RSAA), the Finnish Patent and Registration Office (auditor oversight body), and the Finnish Bar Association.

23. With respect to entities based in the Åland Islands, they are supervised by the same national authorities as the rest of Finland, with the exception of real-estate and gambling supervision which is undertaken by the Åland Islands' authority.

Anti-Money Laundering Framework

24. Since the 2013 Report, Finland's AML/CFT has been substantively revised with the Act on Preventing Money Laundering and Terrorist Financing repealing the 2008 AML Act and entering into force on 3 July 2017. The new Act underlines the risk-based approach to the measures to be undertaken by AML/CFT competent authorities, self-regulatory bodies and by AML-obliged persons. It also extends the powers of supervisory authorities and the Finnish Bar Association, introduces broadly the same level of powers for each, introduces higher sanctions for non-compliance on the financial sector as required under the EU's fourth anti-money laundering directive, no longer allows for exemptions from customer due diligence requirements in specific situations, and repeals criminal law sanctions for violations of the Act (reflecting the introduction of higher financial sanctions). The 2017 Act also provides the FTA with access to the customer and beneficial ownership information held by AML-obliged persons.

25. The 2017 Act amended provisions in respect of beneficial ownership, requiring beneficial owners of entities and trusts to provide the entity with the information that must be registered with Finland's beneficial ownership register (BO register). Where AML-obliged persons, the supervisory authority or the Bar Association identify inconsistencies in the information available in the BO register, they must inform the register holder without undue delay.

26. Finland amended the AML Act further to implement the EU's fifth Anti-money laundering Directive and introduced dealers and sellers of works of art, and virtual currency providers as AML-obliged persons.

This coincided with the introduction of the Act on the Bank and Payment Accounts Control System (571/2019), which promotes electronic access to bank and payment account information by the relevant authorities, and the Act on Virtual Currency Providers (572/2019) which requires that virtual currency issuers, marketplaces and wallet service providers register with FIN-FSA.

27. The Financial Action Task Force (FATF) evaluated Finland as part of its 4th round of mutual evaluations with an on-site visit taking place in 2018. The Mutual Evaluation Report (MER) was adopted in February 2019 and this has most recently been supplemented with the Enhanced Follow-up Report and Technical Compliance Re-Rating in October 2021.[1] The MER found that Finland was Largely Compliant on Recommendations 10 (Customer Due Diligence) and 25 (Transparency and beneficial ownership of legal arrangements). However, deficiencies concerning the co-operation on beneficial ownership information with law enforcement, the availability of dissuasive sanctions and the monitoring of the quality of international assistance on legal and beneficial ownership information led to a Partially Compliant rating in respect of Recommendation 24 (Transparency and beneficial ownership of legal persons) which remained unchanged after the Enhanced Follow-up Report. The 2019 and 2021 reports also noted the lack of measures concerning bearer shares, and nominee directors and nominee shareholders but acknowledged that the risk of abuse is low in the Finnish context.

28. Finland was determined as having achieved a low level of effectiveness for Immediate Outcome 3 (supervision). Relevantly, the 2019 report found that supervisory authorities had not put in place comprehensive AML/CFT risk assessments based on substantive quantitative input. Supervision of financial institutions was found not to be risk-sensitive for AML/CFT monitoring and supervision purposes. Moreover, the quantum of ongoing supervision by FIN-FSA was deemed not adequate, with the vast majority of financial institutions having never been subject to an on-site inspection. The RSAA's activities and on-site inspections were found to have focussed on currency exchange businesses: in the review period, there had been no RSAA supervision (including inspections) of independent providers of legal services, accountants and tax consultants. Both FIN-FSA and RSAA were considered to have under resourced AML/CFT teams. With regards to the application of sanctions, neither FIN-FSA nor the RSAA had imposed any administrative sanctions with regard to ongoing compliance with AML/CFT obligations on the entities they supervise. Overall, the report found that FIN-FSA was not able to demonstrate that its actions had an effect on compliance by financial institutions, and it was difficult to gauge the impact of RSAA's actions across the sectors of designated non-financial business and

1. Both reports are available at www.fatf-gafi.org.

professions. The report noted that there were known weaknesses in certain financial institutions' risk identification and AML/CFT compliance that had not been proactively targeted or addressed. These weaknesses included a risk that financial institutions belonging to large groups did not consider the specificities of the Finnish market, a less mature understanding of ML/TF risks by smaller entities or new market entrants, with some adopting a generic "tick box" approach to risk assessment, and a less developed understanding of TF risk across all sectors.

29. Immediate Outcome 5 concerning implementation of rules ensuring availability of beneficial ownership information for legal persons and arrangements was rated as having a moderate level of effectiveness. The 2019 report found that there was an absence of a comprehensive or dedicated vulnerabilities assessment on legal persons and an absence of effective measures to prevent misuse of legal persons for tax evasion purposes. The report noted that the Finnish Patent and Registration Office (the PRO), responsible for maintaining Finland's commercial registers, did not adequately carry out checks on the authenticity of any documents when legal persons register and that they were not resourced to do so. The report also noted that there were not sufficient mechanisms to ensure that the information submitted to the PRO remains up to date over time, and the absence of on-site supervision on company service providers means that nominee shareholdings are left open to misuse. Furthermore, no sanctions had been applied by the PRO against persons that have not complied with information requirements and the report considered that the remedies to ensure that registered information was up to date were not fully appropriate. Similar deficiencies were identified in the present report.

Recent developments

30. A bill to amend the Act on Preventing Money Laundering and Terrorist Financing and the Act on the Financial Supervisory Authority entered into force from 1 April 2022. The amendment is intended to remedy a number of shortcomings identified in the implementation of the EU Directive on the prevention of money laundering and terrorist financing and to address recommendations given to Finland in the FATF Mutual Evaluation Report. The changes broaden the scope of AML-obliged persons to all auditors and not solely those concerned with conducting statutory audits. The amendment also sought to harmonise the term "suspicious transaction", broaden the obligation of enhanced due diligence to all risky situations instead of only risky customer relationships or risky transactions; clarify the enhanced customer due diligence obligations on politically exposed persons; enable the supervisor to carry out an inspection through virtual connection or in another location designated by the supervisor; and reduce the minimum

administrative fine from EUR 5 000 to EUR 1 000 (not exhaustive). Certain provisions of the amendment including in respect of the definition and obligations in respect of politically exposed persons, will enter into force on 1 April 2023.

31. The Finnish Parliament approved Government Proposal 221/2021 to introduce a new Section 1b to Chapter 1 of the Finnish Accounting Act so that the accounting obligations would extend to the business and professional activities of a foreign legal entity, foreign trust or similar arrangement carried out in Finland, and also to such entities and arrangements where the effective management of operations is in Finland but the business is not conducted in Finland. The requirement entered into force on 1 January 2022.

Part A: Availability of information

32. Sections A.1, A.2 and A.3 evaluate the availability of ownership and identity information for relevant entities and arrangements, the availability of accounting information and the availability of banking information.

A.1. Legal and beneficial ownership and identity information

Jurisdictions should ensure that legal and beneficial ownership and identity information for all relevant entities and arrangements is available to their competent authorities.

33. The 2013 Report concluded that Finland's legal and regulatory framework was "in place" and ensured the availability of legal ownership from the public authorities (the tax authority or the Finnish Patent and Registration Office) or directly from the entities themselves. The report noted that sanctions available were proportionate to the offence and appeared dissuasive enough to ensure compliance. Furthermore, based on the peer input received, Finland had responded to all requests for ownership and identity information received, implying that ownership and identify information was adequately maintained in Finland.

34. The standard was strengthened in 2016 with a new requirement that beneficial ownership information on entities and arrangements be available. The main source of beneficial ownership information in Finland is the central beneficial ownership register (BO register) maintained by the Finnish Patent and Registration Office (PRO), which should allow for efficient access to beneficial ownership information by the tax administration in the case of EOI requests. The AML Act further sets out the requirements that beneficial ownership information be maintained by the entities and arrangements themselves, as well as by any AML-obliged persons they are clients of.

35. In 2017, Finland updated its AML Act to bring its definition of beneficial ownership for legal entities and legal arrangements in line with the requirements of the EU's 4th money laundering directive. However, many deficiencies have been observed, both in the legal and regulatory framework and on the implementation of that framework in practice. First, the beneficial

ownership definitions for corporate entities, as applied by AML-obliged persons and entities with reporting obligations to the BO register, do not identify beneficial ownership by way of indirect ownership or control by other means, which is not in line with the standard. Additionally, Finland's beneficial ownership definition for certain types of companies and foundations is also not in line with the standard. Furthermore, there are deficiencies in the legal framework with regards to the requirements on AML-obliged persons to verify that the beneficial ownership information obtained from their customers is correct and to update their customer due diligence in the absence of a money laundering risk. The information in the central beneficial ownership register may also not be up to date as the requirements to update the register are limited in practice to situations where the changes in beneficial ownership are brought to the attention of the concerned legal entity or arrangement. Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard.

36. Finnish entities are responsible for ensuring that the central beneficial ownership register is up to date but the requirements to update the register are also limited in practice to situations where the changes in beneficial ownership are brought to their attention. Moreover, the sanctions on legal entities and arrangements for not complying with their obligations in relation to the beneficial ownership register have been found to be cumbersome and time-consuming to apply in practice. Recommendations have therefore been made to ensure that the central beneficial ownership register contains up-to-date information and to introduce effective sanctions for failure to provide beneficial ownership information to the register.

37. With respect to supervision, there is no authority responsible for ensuring the accuracy of the information available in the BO register or with the entities themselves, and few checks have been carried out on AML-obliged persons in practice to ensure that they are identifying beneficial owners in line with the requirements. This is despite ongoing challenges by AML-obliged persons in understanding and correctly applying their obligations in practice. In view of the scope for improvement in supervision, Finland is recommended to put in place a comprehensive and effective supervision programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements.

38. A further legal gap has been identified in relation to the availability of legal ownership information by foreign companies as they are not subject to requirements under Finnish law to maintain all legal ownership information and make this available in Finland and by Finnish companies in certain, limited circumstances where the companies cease to exist and where tax reporting

requirements do not apply. Finland should ensure that legal ownership information is available for all relevant entities for at least five years.

39. During the current review period, Finland received 792 requests, of which 147 included requests for legal ownership information, although no requests were received for beneficial ownership information. Finland was able to provide information for all requests.

40. As a result of the many deficiencies and uncertainties in the legal framework and its implementation in practice as well as the very low level of supervision applied, there are doubts as to whether Finland would be able to exchange accurate beneficial ownership when requested. Therefore Finland is rated Partially Compliant with Element A.1 of the standard on availability of legal and beneficial ownership information on relevant entities and arrangements.

41. The conclusions are as follows:

Legal and Regulatory Framework: In place, but certain aspects of the legal implementation of the element need improvement

Deficiencies identified/Underlying factor	Recommendations
The definitions of beneficial ownership to be applied by corporate entities to report beneficial owners to the central register and by AML-obliged persons in respect of some corporate entity customers is not in line with the standard. Natural persons with more than 25% indirect shareholdings, voting rights or the equivalent are not always identified as beneficial owners. Corporate entities are not required to look through more than two layers of their company structure to identify beneficial ownership for the purposes of the register. Natural persons with effective control through other means are not required to be identified by entities in respect of the register, and they must only be identified by AML-obliged persons to an extent considered appropriate to the money laundering risks of the customer. The beneficial ownership definition applicable to limited liability housing companies, limited liability joint-stock property companies and foundations is limited only to “the members of the board of directors”. The requirements on AML-obliged persons do not specify the frequency to update the beneficial ownership information of their customers and they do not clarify when verification must be undertaken. Although legal entities and arrangements must update the central beneficial ownership register “without delay”, the system in place does not ensure that changes in beneficial ownership are brought to their attention. This means that adequate, accurate and up-to-date information may not always be available.	Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard.

Deficiencies identified/Underlying factor	Recommendations
The process to apply sanctions in cases of failure to provide beneficial ownership information to the register is considered cumbersome by Finland's Trade Register and time-consuming to administer in practice. As a result, Finland has not applied any sanctions to date.	Finland should introduce effective sanctions for failure to provide beneficial ownership information to the register.
Foreign companies are only required to maintain legal ownership information under Finnish law to the extent that they are required to report in their tax returns ownership holdings of above 10%. The availability of any further information will be dependent on the law of the jurisdiction in which the company is incorporated and so may not be available in all cases. The limited exemptions to tax reporting requirements on transfers of shareholdings and the absence of a requirement on companies to ensure the retention of legal ownership information could result in deficiencies in the availability of legal ownership information in certain, limited cases where companies cease to exist.	Finland should ensure that legal ownership information is available for all relevant entities for at least five years.

Practical Implementation of the Standard: Partially Compliant

Deficiencies identified/Underlying factor	Recommendations
Finland's primary source of beneficial ownership information is the beneficial ownership register that was implemented in 2019. The information is provided by legal entities and arrangements, however the register is not yet fully populated and there is no supervisory authority responsible for ensuring that the information kept and reported by entities is correct. Where the Trade Register has been made aware of a discrepancy, or non-filing, no enforcement action has been taken to date. As an external check on the quality of the information recorded in the central register, AML-obliged persons are required to file discrepancy reports to the trade register, however it does not appear that this obligation is well understood in practice. In addition, audit statistics across many AML-obliged persons reveal insufficient supervision, meaning compliance with their AML obligations and the accuracy of the information they hold cannot be ensured. This appears to have resulted from the limited human resources allocated to AML supervision across supervisory authorities. These issues, in addition to deficiencies in the related legal and regulatory framework, cause concern on the availability of accurate information in the beneficial ownership register and with AML-obliged persons.	Finland is recommended to put in place a comprehensive and effective supervision programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements.

A.1.1. Availability of legal and beneficial ownership information for companies

42. In Finland, the most common forms of legal persons are limited liability companies, co-operatives, partnerships (see sub-Element A.1.3), and associations and foundations (see sub-Element A.1.5).

43. The Limited Liability Companies Act (LLCA) provides for the creation of companies with shareholders' liability limited to the subscribed capital. A limited liability company may be either a **private limited company** (Oy) with a minimum share capital of EUR 2 500, or a **public limited company** (Oyj) with a minimum share capital of EUR 80 000 and shares offered to the public on a regulated market. A limited company may be founded by one or several founders, including by a natural person or another legal person. On 4 January 2021, there were 261 316 private companies and 266 public companies registered in Finland.

44. **A limited liability housing company (LLHC)** is a limited company, which under the Limited Liability Housing Companies Act has stated in its Articles of Association that its purpose is to own and control at least one building or part thereof, at least half of which must be reserved for use as an apartment by the shareholders, which can be natural or legal persons, or their tenants. In practice, this means that each share gives the shareholder the right of possession to the apartment or other part of the building in the possession of the housing company. Unlike regular limited liability companies, the purpose of a LLHC is not to seek profit although this may be possible, such as if it can lend part of its premises for payment. A **limited liability joint-stock property company (LLJSPC)** is also regulated under the Limited Liability Housing Companies Act. Whereas each share in an LLHC corresponds to an apartment or section of a building, the shares of LLJSPCs can either alone or together with other shares correspond to the respective parts of the building. On 4 January 2021, there were 86 679 LLHCs and 4 832 LLJSPCs registered in Finland. Unless otherwise specified below, references to limited companies and the LLCA will either be directly applicable to LLHCs and LLJSPCs, or there are substantively similar legal and beneficial ownership requirements under the Limited Liability Housing Companies Act.

45. A European company or ***Societas Europea*** **(SE)** may also be incorporated pursuant to the LLCA, in line with requirements set out under European Community Council Regulation No. 2157/2001 on the Statute for a European company and Finnish European Companies Act. Requirements on Finnish public companies apply *mutatis mutandis* to SEs. Therefore for the purposes of this report, references to requirements on public companies should be read as applicable to SEs. On 4 January 2021, there was only one SE registered in Finland.

46. The Co-operatives Act permits the formation of a **co-operative** by one of more natural or legal persons. Co-operatives are set up to promote

the economic and business interests of their members through the pursuit of economic activity, and members make use of the services provided by the co-operative or of services arranged by the co-operative through a subsidiary or other arrangement. Upon registration, a co-operative's liability only extends to the capital assets contributed by its members. On 4 January 2021, there were 3 541 co-operatives and 158 co-operative banks registered in Finland. Unless otherwise specified below, references to limited companies, the LLCA and the Trade Register Act will either be directly applicable to co-operatives, or there are substantively similar legal and beneficial ownership requirements under the Co-operatives Act.

47. **A European co-operatives society (SCE)** can be incorporated pursuant to the Act on European Co-operative Societies in line with the requirements set out in European Economic Council Regulation No. 1435/2003 on the Statute for a European Co-operative Society. Similar to a Finnish co-operative, unless otherwise specified below the relevant provisions of the Co-operatives Act and Limited Liability Companies Act that apply to public companies also apply to SCEs. Its members' liability is limited to their subscribed capital and there is a minimum subscribed capital of EUR 30 000. On 4 January 2021, there were no SCEs registered in Finland.

Legal ownership and identity information requirements

48. As described in the 2013 Report, the legal ownership and identity requirements for companies are found mainly in the LLCA, with legal ownership reporting requirements set out under the Finnish tax law (see paragraphs 59-60). The following table shows a summary of the legal requirements to maintain legal ownership information in respect of companies.

Companies covered by legislation regulating legal ownership information[2]

Type	Company Law	Tax Law	AML Law
Private limited company	All	Some	Some
Public limited company	All	Some	Some
Limited liability housing company	All	Some	Some
Limited liability joint-stock property company	All	Some	Some
Societas Europea	All	Some	Some
Co-operative	All	Some	Some
European Co-operative Society	All	Some	Some
Foreign companies (tax resident)	None	Some	Some

2. The table shows each type of entity and whether the various rules applicable require availability of information for "all" such entities, "some" or "none". "All" means that the legislation, whether or not it meets the standard, contains

Companies Law requirements

49. Under the LLCA (Chapter 2, Section 2), all companies are required to submit a Memorandum of Association to the Trade Register, containing information on all shareholders and the quantity of shares subscribed by each of them upon founding. They submit this information by way of start-up notification (a "Y–form") electronically via the Finnish Business Information System, which is jointly maintained by both the PRO and the Finnish Tax Administration (FTA).

50. The PRO is responsible for maintaining Finland's trade, foundation, association and beneficial ownership registers. The PRO does not add the shareholder information to the Trade Register (except for the Memorandum of Association which includes information on founding shareholders). Instead, the personal identity codes of certain notifiable persons are registered, such as the board members. Where these persons have a Finnish personal identity code, this is verified by the PRO through the Digital and Population Data Services Agency (DVV), which holds information on all Finnish persons (and non-Finnish persons allocated a code by the DVV). In the absence of a code, a copy of the passport (or similar document) must be provided as evidence. Company information that has been submitted to the Trade Register will remain there permanently even after the company has been deregistered and liquidated.

51. Companies law provides for another key source of legal ownership information by requiring companies to maintain and update their shareholder registers. In Finland, shares of companies may be issued in either share certificate form or in book-entry form, and the approach taken will determine where the shareholder register is maintained. All but 84 of Finland's 261 316 private limited liability companies issue shares by way of share certificates. Upon transfer of a share, the transferee is required to provide evidence to the company of the transfer as well as evidence of payment of any asset transfer tax due. The company must verify this evidence and update the shareholder register immediately (Chapter 3, Section 15(1), LLCA). After including the shareholder in the register, the company may issue the share certificate. The LLCA prevents any person from participating in general meetings where they have not been entered into the shareholder register. Directors are required to maintain the company's shareholder register at the head office. The head office is not required to be in Finland, unless the company is subject to Finland's legislation on banking and insurance companies, but the head office is usually located in the registered office of the company

requirements on the availability of ownership information for every entity of this type. "Some" means that an entity will be covered by these requirements if certain conditions are met.

as provided in its articles of association. In the event that the head office is not in Finland, copies of the shareholder register are still required to be made available to anyone who requests it. In the rare absence of this information with the entity in Finland, legal ownership information should still be available with the tax authority in line with the requirements of the taxes acts (see paragraph 60).

52. The book-entry system is a computerised means of processing shares and registering a company's shareholdings and share ownership information. In Finland, all publicly traded companies are required to maintain their shares in book-entry form and private limited companies may choose to do so as an alternative to issuing share certificates. The book-entry system is intended to ensure efficient management of ownership changes and dividend distributions. If a company chooses to keep shares in book-entry form, the shareholder register is kept by the central securities depository (CSD), and a designated "account operator" (who is an AML-obliged person) is responsible for registering and maintaining the book-entry register. Where the book-entry system is used and a transfer of shares takes place, the transferee is required to inform the account operator so they can update the shareholder register accordingly. The LLCA does not specify a timeframe by which the shareholder register must be updated but the shareholders are unable to exercise the right to attend a general meeting if they have not been entered into the register at the CSD. The LLCA was amended to align with EU regulations on securities settlements within the EU and in respect of central securities depositories. Finnish companies using the book-entry form now have the right to choose to record their shares in a foreign CSD, providing they remain able to obtain the necessary legal ownership information, comply with the LLCA, and file a compulsory declaration (Chapter 6, Section 2, Act on the Book-Entry System and Settlement Activities) to FIN-FSA. Nevertheless, no Finnish companies have exercised this option to date and they all record their shares in Finland's CSD. Irrespective of the availability of shareholder information with a CSD, the board of directors must also maintain an up-to-date shareholder register.

53. All shareholder registers held by the company or kept at the CSD include the name and address of each shareholder, the shareholders' personal identity code (or other identification code of the shareholder or nominee shareholder), payment address and taxpayer information, the number of specified shares or share certificates by share class, the date of issue of each share, and details of any differences in the rights and obligations carried by the shares. Companies law does not set out a retention period requirement for the maintenance of this information, and there is no public law requirement to maintain ownership information in respect of ex-shareholders. Finland considers however that information will be retained in practice by the company in case of civil liability proceedings. Accurate shareholder information would

for example be needed to distribute any remaining assets to shareholders either upon company liquidation, or after the company has been deregistered until a liquidation is undertaken. The CSD will maintain the legal ownership information on all companies using the book-entry system indefinitely.

54. Similar to limited companies, co-operatives are set up by way of a Memorandum of Association with members required to sign the memorandum as owners of the shares. Non-members are able to own shares in the co-operative and in such cases they are also required to sign the memorandum. The co-operative is incorporated upon registration with the PRO. Shareholders are not permitted to exercise their rights in the co-operative before they have been entered as members or owners of its shares in its list of members and owners (a shareholder register equivalent). The Co-operatives Act includes substantively similar legal ownership information requirements as those set out for limited companies under the LLCA.

55. LLHCs and LLJSPCs are incorporated by way of a written Memorandum of Association signed by all shareholders, detailing the founding shareholders and the quantity of shares held by each of them. The rights of shareholders can only be exercised once they have been entered into the shareholder list or in a "housing company share register" referred to in the Act on Residential and Commercial Property Information System. Housing company shareholder lists are maintained by the National Land Survey of Finland under the Act, based on the housing company share register of LLHCs or LLJSPCs (Limited Liability Housing Companies Act Chapter 2, Section 12). The shareholder lists of LLHCs and LLJSPCs are publicly accessible and include the following legal ownership identification information for natural persons: the shareholder's name, address, date of birth and personal identity number. For legal persons, the name, business identity number, and address of registered office in Finland is held. Information on current shareholders is available to everyone, and information on former shareholders continues to be retained after ten years but is only made available where certain conditions are met. The FTA has full access to this information at any time. The requirement for shareholders to be registered in either a housing company share register or in the National Land Survey's list of shareholders before the shareholders can exercise their rights (including to reside in the property) means that up-to-date legal ownership information is always available.

Foreign entities

56. Foreign legal entities, including partnerships, are required to register with the PRO when they establish a branch in Finland as a foreign trader (Act on the Right to Carry on a Trade, and the Trade Register Act). Similar to Finnish entities, they must complete a start-up notification (a "Y-form")

for both tax administration and PRO purposes, but no legal ownership information is included in the Trade Register or retained by the PRO beyond that which is included in the Memorandum of Association (or similar) that they are required to submit to the PRO. As of 3 January 2022, there were 1 175 foreign traders with a branch in Finland registered in the Trade Register.

57. If a foreign entity is founded under the legislation of a country belonging to the European Economic Area (EEA) and either its registered office, its central administration or its head office is in the EEA, the entity's representative is permitted to reside anywhere in the EEA. Finnish companies law does not place requirements on foreign entities to maintain their legal ownership information in Finland.

58. Foreign entities will have tax filing obligations in Finland if their place of effective management is in Finland and under a DTC or similar it is determined that they have a Permanent Establishment there. Where foreign entities are liable to tax in Finland, then legal ownership information must be provided to the tax authority in their tax return, similar to the tax law requirements on Finnish entities. Tax law therefore indirectly imposes a requirement on the company to maintain legal ownership information but for foreign companies this is limited to shareholders with at least a 10% shareholding, unless there were ten or fewer shareholders. As any further legal ownership information would have to be obtained directly from the foreign companies, its availability will be dependent on the law of the jurisdiction in which the company is incorporated. Moreover, if the information is held outside of Finland there may be challenges in obtaining this information in practice. **Finland should ensure that legal ownership information is available for all relevant entities for at least five years.**

Tax law requirements

59. When companies submit a start-up notification (Y-form) to the Finnish Business Information System upon founding, the registration information is transferred from it to the FTA's internal systems where it is examined before the FTA decides to register the company in the VAT Register, Employer Register and Pre-payment Register, as appropriate.

60. Finnish tax law requires companies to provide up-to-date legal ownership information to the tax authority when submitting a tax return. Section 7 of the Act on Assessment Procedure (AAP) requires all private and public companies to submit a tax return to the FTA and Section 10 AAP empowers the tax authority to determine which information must be provided. This power has been exercised through an FTA decision (Chapter 3, Section 11.1) that requires a company to provide information on all shareholders with at least 10% shareholdings, or on all shareholders where there are fewer than ten shareholders. The information required to be reported includes the name,

business identity or personal identity codes, and number of shares held, for each shareholder. Tax returns must be submitted annually, together with updated legal ownership information. The tax authority maintains the information received in its database for a period of 15 years following the end of the calendar year when the tax return is submitted. As the tax authority is aware of the shareholdings for each person declared in the return, where it receives a request for legal information in respect of a company for which the 10% threshold has relevance, such as a request for information on all shareholders, it will be able to seek the additional information from the company directly.

61. In addition to legal ownership information submitted in tax returns, the tax authority receives information on the legal owners of companies following certain transfers of shares for asset transfer tax purposes. Under the Asset Transfer Tax Act (Section 1), the transferee must file a form (Form 6012e) with the tax authority, including the name and personal identity code or business identity number of both the transferor and the transferee, as well as details on the asset transferred. This form must be submitted within two months following the date of transfer (Section 2). Where one person, i.e. either the buyer or seller, in the transaction is non-resident for tax purposes in Finland, a reference number can be allocated to that non-resident upon receipt of identifying information and a photocopy of their passport. The Asset Transfer Tax is not however applicable in the case of a transfer of shares in Finnish private limited companies where both buyer and seller are non-resident for tax purposes in Finland, and there is no need for either person to file a return. Securities that are publicly traded are generally exempt from the asset transfer tax, providing certain conditions are met, but the relevant legal ownership information for public limited companies would be available at a central securities depository and must be updated. For all entities, securities that have been transferred by way of an inheritance or gift are also exempt from asset transfer tax, but there may still be a liability for inheritance tax or gift tax depending on the value of the shares transferred. Providing proof of payment of the asset transfer tax to the company, where liable, is a prerequisite before the shareholder can be entered into the shareholder list of a non-publicly traded entity and a share certificate issued. Although legal ownership of shares takes effect upon transfer, and not upon payment of transfer tax and registration in the shareholder register, the requirement on most share transfers to pay asset transfer tax should mean that even where shareholders delay informing the company of the transfer, the tax authority will have updated legal ownership information within two months, except in the limited scenarios where the tax is not due. Asset transfer tax filings should also mean that the tax authority will often have information on shareholders with less than 10% shareholdings in a company: information which would not be required to be included in the company's tax return. Nevertheless, there would be a small gap in the availability of

information with the tax authority on shareholdings of less than 10% in a company with more than ten shareholders and where those shareholdings are exempt from asset transfer tax. Companies law requirements will ensure that this information is held by the company until it ceases to exist. However, in the absence of a retention requirement for companies that ceased to exist, the tax authority would not have other reliable sources of information available. **Finland should ensure that legal ownership information is available for all relevant entities for at least five years**.

62. LLHCs and LLJSPCs can have different tax liabilities from other companies and are not, for the main part, liable to income tax. However, the information should still be available by virtue of the requirements of the respective companies acts. The requirements on foreign companies to report legal ownership information under the taxes acts are outlined in paragraph 58.

Legal ownership information pursuant to AML obligations

63. Legal ownership information may also be available pursuant to AML obligations in some cases. AML-obliged persons are required to identify and maintain beneficial ownership information on their customers as part of their customer due diligence (see Availability of beneficial ownership information below). There are no specific requirements in Finnish law for companies to engage an AML-obliged person, but companies that are subject to statutory auditing will have to engage the services of an auditor, who will be an AML-obliged person based within the EEA. The AML Act requirements are primarily focussed on the identification and record retention in respect of beneficial owners rather than legal owners. Nevertheless, the Act also requires the retention of more detailed descriptions of ownership and control structures "if necessary", for five years following the end of the customer relationship or conclusion of a transaction. As the requirement in respect of ownership and control structure information is only applicable "if necessary", and guidance[3] has not been produced setting out what is deemed necessary, availability of legal ownership information with AML-obliged persons will be dependent on the interpretation and application of this requirement in practice.

3. Where guidance is made available by the relevant authorities on the application of laws, it can include both binding and non-binding guidance. Binding guidance may be issued if the legislation empowers the authority to do so. For example, FIN-FSA's AML guidance specifies which elements are considered legally binding.

Implementation and enforcement in practice

Trade Register information

64. The LLCA requires a Memorandum of Association, including information on all shareholders and quantity of shares subscribed by each shareholder, to be provided to the Trade Register when the company is founded. Finland's Penal Code sets out a registration offence for persons that provide false information to a public authority, which results in a legally relevant error in a public register. This offence is subject to a sentence of a fine[4] or imprisonment for up to three years (Chapter 16, Section 7, Penal Code). This means that if a company intentionally files incorrect information, it can lead to criminal investigation and police proceedings. In practice, verification carried out by the PRO is limited to ensuring the provision of all relevant information before the entity is incorporated, and to ensuring that the persons included in the notification exist. Persons with Finnish personal identity numbers are cross-checked against the national database, and proof of identity (such as copy of a passport) is requested for foreigners without personal identity numbers. The PRO does not however carry out checks to verify the accuracy of the legal ownership information in the Memoranda of Association submitted.

65. The PRO is also responsible for deregistering companies, including where they have failed to comply with their obligations under the LLCA (Chapter 20, Section 4). Companies are most often deregistered when they have not submitted a financial statement, or any other required information, and the PRO is able to deregister companies after one year of their failure to comply with their reporting requirements. Companies that are not required to file financial statements (such as housing companies) can be deregistered after ten years if no other notification is submitted to the PRO. As there is no requirement to provide the PRO with up-to-date legal ownership information, this would not act as grounds for deregistration. Prior to deregistration, the PRO notifies the company in writing of its intent to deregister and provides

4. In Finland, there are two types of fines imposed in criminal proceedings: fixed-fee fines imposed for certain minor (mostly traffic) offences and day-fines (or daily unit fines) imposed for all other offences. The amount of a single day-fine is dependent on the offender's personal income (calculated by subtracting EUR 255 from the monthly net income and dividing the result by 60) and, in principle, there is no maximum amount. The judge or prosecutor multiplies the number of day-fines by the amount of a single day-fine, and the product is the total sum of the fine. In general, the number of day-fines (1 to 120; and 1 to 240 in the case of multiple offences) is based on the seriousness of the offence (harmfulness, dangerousness, motives for the act, culpability of the perpetrator manifest in the offence).

it with two weeks to regularise the situation. If the situation has still not been regularised, the PRO will publish a notice in the public journal, giving three months for comment before a deregistration can take place. The PRO deregistered 20 005 companies in 2018, 20 940 in 2019 and 19 564 in 2020.

66. Once deregistered, the company is unable to acquire rights or do any undertakings. Its representatives may continue to implement measures necessary for the repayment of any of the company's debts or the preservation of the value of the company's assets. The assets of a deregistered company cannot be distributed without liquidation (unless the company's assets do not exceed EUR 8 000 and the company has no known creditors). A deregistered company is not automatically liquidated (i.e. it keeps its legal personality) until five years after deregistration during which period it can be reinstated if the PRO had deregistered the entity in error or if the company requests reinstatement and submits approved financial statements for the three most recent financial periods. A deregistered company will only be ordered into liquidation if the company's remaining assets are adequate to cover the costs of liquidation. Companies can also apply themselves to be liquidated. There were 15 763 companies that were liquidated in 2018, 15 552 in 2019 and 15 014 in 2020.

Information held by companies and AML-obliged persons

67. As the information available in the Memoranda of Associations submitted to the Trade Register is not required to be kept up to date, the most current source of legal ownership information under companies law are the entities themselves. Failures by a limited company to keep a shareholder register, in the manner set out in the LLCA, can lead to a financial sanction (see footnote 4 on fines) where there has been intentional neglect (Chapter 24, Section 2). Dependent on the circumstances, intentionally keeping incorrect or misleading information in the shareholder register can also be considered criminal falsification under the Penal Code. However, there is no public authority responsible under Finnish legislation for verifying that companies comply with their obligations to maintain legal ownership information, which could substantially reduce the deterrent effect of these sanctions. Moreover, the sanction on failures to keep an accurate shareholder register is limited to cases of intentional misconduct, and there are no sanctions available in cases of gross negligence or careless behaviour.

68. The main checks on ensuring that companies maintain up-to-date legal ownership information in practice are instead i) checks on company law obligations carried out as part of a statutory audit and ii) the risk of civil litigation proceedings from shareholders unable to exercise their rights where they have not been correctly entered into the shareholder register.

69. In Finland, under the Auditing Act, companies are required to undergo a statutory audit when they meet two of the following conditions: i) the sum of the balance sheet exceeds EUR 100 000, ii) the turnover or corresponding yield exceeds EUR 200 000, and iii) the entity employs more than three people on average. Around 121 000 audit reports are submitted annually, and while this is close to half of all companies, it is unclear what number of companies meet the aforementioned thresholds but have not undergone a statutory audit as required. Although foreign companies operating in Finland are subject to statutory audits, the audit is limited to ensuring compliance with the company's accounting obligations.

70. Statutory auditors in Finland are AML-obliged persons required to perform customer due diligence (CDD) and maintain CDD records on their customers. The Auditing Act makes clear that the subject of the audit includes checks in respect of the governance of a corporation (Chapter 3, Section 1) and auditors must state in their report whether any accountable person in the company (or any other entity) has violated any applicable laws (such as the LLCA) or violated its own rules, such as under the articles of association (Chapter 3, Section 5). Nevertheless, it is unclear whether checks by auditors on legal ownership information as part of a statutory audit would be substantive enough in practice to determine whether legal ownership information is correctly maintained. During the on-site visit, an interview was held with a representative from the Finnish auditing association. The auditor explained that in practice a check is done on the shareholder register to ensure that it is in line with any other information the auditor receives, but detailed verification checks on the shareholder register are not undertaken to ensure that it is up to date and that the company has complied with the legal ownership requirements under the LLCA. In respect of legal ownership information that may be identified and maintained by auditors when looking to identify the beneficial owners of the company, the auditor did not consider that their responsibility extended to any verification activity and noted that beneficial ownership checks were limited in practice.

71. In the absence of robust verification of legal ownership information by auditors as part of their statutory audits, and also recognising that around half of all companies do not undergo a statutory audit, the remaining monitoring activities to verify that the legal ownership information held by companies remains up to date and accurate are those that would be carried out by the tax authority as part of its tax auditing activities. Nevertheless, the requirement for shareholders to be registered in the shareholder register to fully exercise their rights, and the corresponding risk of civil litigation for failures to update the shareholder register after notification by the shareholder, should provide another safeguard to ensuring the accuracy of the legal ownership information held by the company.

Information held by the tax authority

72. Failures to comply with the requirement to provide accurate legal ownership information in annual tax returns are considered within the FTA's general responsibilities of ensuring the accuracy of tax returns. Typically, in the case of under-declared income in a tax return, a tax increase will be imposed. There is also the potential of other sanctions being applied and for a police-led criminal investigation into tax offences, depending on the significance of the incorrect information. Where ownership information submitted in a tax return is incomplete, the FTA will request that the entity provide complete information. Only where the information is not provided following the request is a surtax of at least EUR 150 imposed (Section 32a, AAP), irrespective of whether or not the omission resulted in an underpayment of tax.

73. In situations where a company failed to file a tax return and therefore did not provide legal ownership information, the FTA will make a dormant assessment of tax liability. Dormancy status for tax purposes is independent from company deregistration. If there are no signs of business operations or taxable income, the FTA gives these companies a dormant status for that tax year and no income tax return is requested: this could be the case even where the company is still registered. In line with Finland's risk-based approach to ensuring tax compliance, the FTA may carry out audits on non-filers to ensure that there is in fact no taxable income.

74. Irrespective of the requirement to file a tax return, dormant companies are still subject to the requirements under companies law, including in terms of maintenance of the shareholder register and the need to undergo a statutory audit irrespective of dormancy status. If legal information is requested in respect of a dormant entity, the tax authority will still be able to obtain this from the entity, which will address any discrepancies in the tax authority's available information from asset transfer tax exemptions. However, if after dormancy, the company ceases to exist, i.e. has been deregistered or liquidated, the tax authority may not have the most up-to-date legal ownership information where share transfers were exempt from asset transfer tax. This deficiency would not be limited to the size of the shareholding or the number of shareholders. As there is no statutory requirement on companies to ensure the retention of their shareholder information following liquidation, the legal ownership information may not always be available in every case. **Finland should ensure that legal ownership information is available for all relevant entities for at least five years**.

75. The number of limited liability companies considered dormant (or inactive) for tax purposes, including those subject to a dormant assessment, was 47 844 in 2018, 45 203 in 2019 and 33 450 in 2020 (around 19%, 18% and 13% of limited liability companies in each respective year). There were also 910 dormant co-operatives in 2018, 928 in 2019 and 659 in 2020 (around 21%,

18% and 17% of co-operatives in each respective year). Determinations of dormancy are carried out automatically every year. Where it appears that a company is active and has not filed the required tax return, the tax administration will estimate taxable income, can impose penalties in the form of a tax increase and can remove the company from the pre-payment register. A tax audit can also be opened if necessary. The pre-payment register acts as a mark of an entity's tax reliability and therefore removal from this list can be both reputationally and commercially damaging. Exclusion from the register removes certain tax advantages otherwise available for the purposes of facilitating business transactions and relationships with customers: removal means the entity can be subject to 13% withholding taxes for payments they receive which can be taken into account upon filing of an income tax return.

76. Finland has approximately a 93% compliance rate for tax return filing by companies, 8% of which are dormant and do not need to file. A further 5% are requested annually to provide more information, and a further 2% were considered dormant but are subject to a dormant taxpayer assessment because they have been deemed to be still carrying on business activities.

77. Tax audits in Finland are based upon risk, although an amount may be subject to random selection which allows the FTA to measure the effectiveness of its risk-based programme. In respect of legal ownership information of entities, the focus of the tax administration's compliance activities appears to be on ensuring that the information provided is complete rather than any activities undertaken that would involve ensuring the accuracy of the information provided. The FTA estimates that companies have only failed to provide legal ownership information in the required format in around 1 000 income tax returns annually. Where the information was not otherwise submitted, such as in an attachment, the companies were requested to provide this information. Following such a request by the FTA, it is only in very rare situations where the shareholder information has still not been provided, leading to around 20 cases each year where sanctions of EUR 150 are applied. In terms of ensuring the accuracy of the information, it would typically only be if an issue were brought to FTA's attention where it would follow up. Nevertheless, as tax auditing activities and the assessments of companies can have a consequential effect on the shareholders, inaccuracies in the legal ownership of companies may still be identified.

78. Asset transfer tax obligations, which provide the FTA with an up-to-date source of legal ownership information, are not typically subject to standalone audits but are usually reviewed in the course of an audit into other tax aspects. This has led to the FTA applying corrective measures on asset transfer tax filings in 11 tax audits in 2019, 18 tax audits in 2020 and 30 tax audits in 2021. The FTA can apply a behaviour dependent penalty tax increase of between 5% and 50% on the liabilities due, with a minimum EUR 150 penalty on non-compliant companies.

79. In addition to any shareholder register checks that might be done by way of a statutory audit, auditors may also identify whether inaccurate information is submitted in tax returns as these are typically reviewed as part of an audit. Furthermore, auditors and accountants are also authorised to assist their clients with the preparation of tax returns and may review this aspect or identify discrepancies with the identity information they already hold on their customer as a result of the CDD obligations. If the CDD reviews are limited in practice (see paragraph 70) or information on the ownership and control structures has not been retained (see paragraph 63), the effectiveness of these checks will also be limited. Nevertheless, the combination of checks by the tax authority, auditors and accountants, the broad asset transfer tax filing requirements, and the requirement on entities to register legal ownership to ensure shareholder rights can be exercised, should mean that legal ownership information will be available in practice with the tax authority, in most cases, or otherwise with the entity. The deficiencies in information where company a ceases to exist are outlined under paragraphs 61 and 74.

Availability of legal ownership information in EOI practice

80. Finland received 147 requests for legal ownership information during the review period. All requests concerned companies, and no issues were raised by peers in obtaining such information in practice.

Availability of beneficial ownership information

81. The standard was strengthened in 2016 to require that beneficial ownership information be available on companies, and therefore this element was not addressed in the 2013 Report. In Finland, the mechanism for the availability of beneficial ownership information is the AML framework, and specifically the Act on Preventing Money Laundering and Terrorist Financing (the AML Act) which transposes the EU 4th AML Directive and introduces a centralised BO register maintained by the PRO, accessible to all persons subject to AML obligations under the AML Act, and to supervisory authorities, including the tax authority. This results in a multi-pronged approach to this element of the standard with the following sources of available beneficial ownership information:

- Companies are required to maintain up-to-date beneficial ownership information themselves (AML Act, Chapter 6, Section 2).
- Companies are required to provide information on their beneficial owners to the BO register (Trade Register Act, Section 5).[5]

5. Information on the beneficial owners of LLHCs and LLJSPCs, in line with Finland's definition in respect of these legal entities, is considered already

- AML-obliged persons are required to carry out customer due diligence and identify and maintain beneficial ownership information on their customers (AML Act, Chapter 3).

Companies covered by legislation regulating beneficial ownership information

Type	Company Law	Tax Law	AML Law/ legal entity	AML Law/CDD
Private limited company	None	None	All	Some
Public limited company	None	None	All	Some
Limited liability housing company	None	None	All	Some
Limited liability joint-stock property company	None	None	All	Some
Societas Europea	None	None	All	Some
Co-operative	None	None	All	Some
European Co-operative Society	None	None	All	Some
Foreign companies[6] (tax resident)	None	None	All	All

82. There is no requirement in Finland for companies to have a continuous business relationship with any AML-obliged person and, in practice the BO register would act as the primary source of BO information on entities for the purposes of exchange of information. In instances where other information is sought from an AML-obliged person, such as bank statements from a bank, Finland considers it would be likely that the bank would also act as the source of beneficial ownership information.

Definitions of beneficial ownership

83. The Finnish legislation contains the same definition for beneficial ownership for most corporate entities but its application in practice effectively results in three beneficial ownership definitions.

84. The AML Act (Chapter 1, Section 5) sets out the following definition of beneficial ownership for companies, with the exceptions of housing companies and foundations:

available with the Trade Register. There is therefore no additional reporting to the BO register (see paragraph 98).

6. Where a foreign company has a sufficient nexus, then the availability of beneficial ownership information is required to the extent the company has a relationship with an AML-obligated service provider that is relevant for the purposes of EOIR. (Terms of Reference A.1.1 Footnote 9).

Section 5: Beneficial owner of corporate entity

1.[7] The beneficial owner of a corporate entity refers to a natural person[8] who ultimately:

1) directly or indirectly owns more than 25% of the shares in a legal person or otherwise has an equivalent ownership interest in the legal person;

2) directly or indirectly exercises more than 25% of the votes in a legal person and these votes are based on ownership, membership, articles of association, partnership agreement or equivalent instrument; or

3) in any other way effectively exercises control of a legal person.

2. An ownership interest of more than 25% in the relevant legal person held by a natural person is an indication of direct ownership.

3. The following is an indication of indirect ownership:

1) a legal person in which one or more natural persons exercise independent control holds an ownership interest of more than 25% in the relevant legal person or more than 25% of the votes in the relevant legal person; or

2) a natural person or a legal person in which the natural person exercises independent control has the right, based on ownership, membership, articles of association, partnership agreement or equivalent instrument, to appoint or dismiss the majority of the members of the board of directors or equivalent body of the relevant legal person.

4. If the beneficial owner cannot be identified or if the conditions laid down in Subsection 1 are not met, the relevant legal person's board of directors or active partners, managing director or another person holding an equivalent position are to be considered the beneficial owners.

7. The numbering of subsections 1 to 4 is not included in the law itself but has been added here for clarity. Finland confirms that the law must be interpreted as if the subsections had been numbered.

8. Finland explained that the references to "a natural person" throughout the definition should be interpreted as "any natural person"; therefore, if more than one natural person is identified, then they are all beneficial owners. This is also demonstrated by way of examples in the guidance provided by the PRO.

85. Finland's complete definition of beneficial ownership includes both direct and indirect control by natural persons, but although this definition is referred to throughout the AML Act, in practice it will not be applied in its completeness by the persons concerned with the availability of beneficial ownership information for the purpose of this review. Limitations to its application, both in the case of entities with reporting obligations to the central BO register and in the case of AML-obliged persons, effectively result in two further beneficial ownership definitions. For the purposes of the BO register, companies are only required to identify beneficial owners under Subsections 2-4 of Section 5 (see paragraphs 87-92), and AML-obliged persons are subject to an additional requirement to apply Subsection 1 to identify any other persons effectively exercising control to the extent appropriate based on money laundering and terrorist financing risks (see paragraphs 93-98). Furthermore, in both cases, there are different requirements in respect of looking through the entire ownership and control structure in order to identify a natural person as a beneficial owner.

86. Finland confirms that the simultaneous approach is required to be adopted by all persons applying the beneficial ownership definition.[9] This approach is confirmed in guidance provided by the PRO,[10] which is responsible for the BO register and for the supervision of auditors. The approach has not yet been confirmed in guidance issued by other supervisory authorities, but all AML-obliged persons will refer to the PRO guidance in respect of their obligations to file discrepancy reports to the BO register (see paragraph 101).

87. Companies are required under Chapter 6, Section 2 to identify their beneficial owners in line with Subsections 2-4 of Chapter 1, Section 5, for the purposes of reporting information to the central BO register, i.e. Subsection 1 is not applicable to them.

9. Jurisdictions may apply a cascade approach or a simultaneous approach to the identification of beneficial owners. In a cascade approach, step 1 (persons with control through direct or indirect share ownership or voting rights) is applied to identify beneficial owners, and only if none are identified or there is a doubt on the accuracy of the information, is step 2 (persons with control through other means) applied. In the simultaneous approach, Steps 1 and 2 of the cascade are conducted at the same time, which may in practice identify more beneficial owners than the cascade approach. Both approaches are in line with the standard and in both cases, step 3 (identification of senior managing officials) may only be applied where no natural person meets the definition of beneficial owners under steps 1 and 2.

10. https://www.prh.fi/en/kaupparekisteri/beneficial_owner_details/who_is_a_beneficial_owner.html.

88. Commencing with Subsection 2, they must identify their direct owners, i.e. natural persons with an ownership interest of more than 25% are indicated as beneficial owners. The subsection does not specifically indicate voting rights, but the Government Proposal to the law (HE 228/2016) clarifies that this is the intended definition for direct ownership interest.[11]

89. Companies must then apply Subsection 3 to identify their beneficial owners on the basis of indirect ownership. Paragraph 1 of Subsection 3 gives as an indication: "a legal person in which one or more natural persons exercise independent control holds an ownership interest of more than 25% in the relevant legal person or more than 25% of the votes in the relevant legal person". Paragraph 2 indicates natural persons as beneficial owners where they have right to appoint or dismiss a majority of the members of the board, including through another legal person. This does not include *de facto* control. Although paragraphs 1 and 2 are separate indications of control, they complement each other. The Government Proposal illustrates this further by identifying as beneficial owner a natural person who is able to exercise independent decision making power in the legal entity, which could be exercised for example through a shareholder interest of more than 50%. Under this approach, natural persons who indirectly hold more than 25% of shareholdings or voting rights would nonetheless not be identified as beneficial owners, unless they are also able to effectively exercise control in the legal entity by way of independent decision making power.

90. Finland has clarified that in applying the approach outlined in law and the Government Proposal, a company's obligation to identify natural persons exercising control (as defined above) would not extend to reviewing shareholdings smaller than 25%. Moreover, it is also not expected that a company actively review the ownership and control structure beyond the second level of ownership of the entity's ownership structure to identify their beneficial owners, and that they are only expected to identify beneficial owners based on the information readily available to them. The Government Proposal notes that this includes the company's own shareholder register but could also include information in the Trade Register, e.g. for the purposes of identifying natural persons with a controlling ownership stake in any Finnish legal entity, which has more than 25% ownership in the company.

91. If no beneficial owners have been identified through direct (Subsection 2) or indirect (Subsection 3) ownership or *de jure* control, the company is required to report the natural persons who are their senior managing official equivalents (Subsection 4). The law and the guidance both make clear that the requirement to identify senior managing officials is only

11. Government Proposals are not binding but can act as a source for interpretation of the law.

applicable if the beneficial owner cannot be identified under the aforementioned definitions. Although this element does not specify "senior managing officials", the law references senior manager equivalents, namely the board of directors and managing director; this is further supplemented by the catch-all "another person holding an equivalent position". Finland confirms that in line with overall definition of a beneficial owner, "another person" must be a natural person. This definition should therefore identify all senior managing officials in practice. Even though the terminology of Subsection 4 does not refer to a natural person, the Government proposal and PRO guidance make clear that only a natural person could be a relevant senior manager.

92. The definition of beneficial ownership applied by companies for the purposes of the BO register includes a number of deficiencies and is therefore not in line with the standard. The requirements to identify indirect ownership are very limited, and would not identify natural persons indirectly owning 25% or more shareholdings or voting rights throughout the entirety of a company's ownership and control structure, unless they were also able to exercise independent power of decision and thereby exercise effective control, identifiable within two levels of the ownership structure. Furthermore, because Subsection 1 paragraph 3 is not applicable in the definition for the BO register, the definition omits a requirement to identify all natural persons who could effectively exercise control over the company by other means. The requirement to identify any natural persons who can appoint or dismiss a majority of the members of the board of a company (Subsection 3, paragraph 2) is one such form of control but it is not sufficiently comprehensive and the subsection is not intended to be read as such. Although Finland considers most entities to have simple ownership structures, with most legal owners also being the beneficial owners, the relevance of the deficiencies is not insignificant as the Government Proposal estimated that 13% of shares in Finnish companies are held by legal entities. **Finland should ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard**.

93. AML-obliged persons are also required to identify the beneficial owners of companies by way of applying Subsections 2-4 of Section 5 (Chapter 3, Section 6 on CDD). However, Section 6 also requires AML-obliged persons to "establish, in a manner appropriate to the risks of money laundering and terrorist financing relating to the customer and to an adequate extent, whether another party exercises the control referred to in chapter 1, section 5, subsection 1 in the customer".

94. The application of Subsection 2 by AML-obliged persons to identify direct ownership is to be undertaken in the same manner as explained in paragraph 88. In contrast, Finland explained that the application of Subsection 3

differs as indirect ownership is expected to be considered throughout the entirety of an ownership structure. On the application of Subsection 3 the Government Proposal notes, "the beneficial owner should be identified where a legal person owns more than 25% of the shares or voting rights and is controlled by one or more persons and where the natural person or a person controlled by him has the right to appoint or remove a majority of the members of the board of directors or a similar body of the legal person". Although the entirety of the ownership structure is expected to be looked through, Finland clarified that natural persons with more than 25% indirect shareholdings or voting interest is not a determinant of beneficial ownership under Subsection 3, unless these natural persons are ultimately able to exercise control by means of appointing or dismissing a majority of the members of the company's board.

95. In addition to beneficial owners identified by way of Subsections 2 and 3, under the simultaneous approach "obliged entities shall establish, in a manner appropriate to the risks of money laundering and terrorist financing relating to the customer and to an adequate extent, whether another party exercises the control referred to in Chapter 1, Section 5, Subsection 1 in the customer" (Chapter 3, Section 6). Although Section 6 does not specify that only Subsection 1, paragraph 3 is to be applied, the requirement specifically refers to a natural person who "exercises the control referred to" and Finland confirmed that this is intended to be synonymous with "in any other way effectively exercises control of a legal person", i.e. Subsection 1 paragraph 3. Finland confirmed AML-obliged persons will always be required to consider the possibility of other persons with control to some extent, however the limitation on the requirement to identify other natural persons effectively exercising control to the "manner appropriate to the [money laundering and terrorist financing] risks" is not in line with the standard, which does not set such a condition.

96. If no beneficial owners are identified under Subsections 2 and 3 and Subsection 1, paragraph 3, the AML-obliged persons must apply Subsection 4 to identify senior managing officials in the same manner as applied by companies (see paragraph 91).

97. Although the beneficial ownership definition to be applied by AML-obliged persons goes further than the definition applied by companies for the purposes of the BO register, deficiencies remain with a limited definition of indirect ownership, which focuses on control but does not identify all natural persons with more than 25% indirect shareholdings or voting interest, and a risk-based limitation on the requirement to identify persons exercising control through other means. **Finland should ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard**.

98. The beneficial ownership definition of Chapter 1, Section 5 and the aforementioned restrictions in application do not apply to LLHCs or LLJSPCs. Instead, beneficial owners must be identified by way of Chapter 1, Section 7 of the AML Act and AML-obliged persons are required to apply the definition in its entirety. However, under Section 7, "the members of the board of directors entered in the Trade Register" are defined as the beneficial owners. This definition is not in line with the standard. In practice, as LLHCs and LLJSPCs are required to update the members of the board of directors in the Trade Register, this beneficial ownership information is considered already available with the PRO, and therefore additional reporting to the BO register was not introduced. While it is recognised that shares of these companies are in principal intended to be held by persons residing in the residence to which they relate and related activities are in practice restricted, **Finland should ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard**.

Beneficial ownership register

99. When Finland receives an EOI request, it considers its primary source of beneficial ownership information to be the BO register maintained by the PRO, which was introduced during the review period by way of an amendment to the Trade Register Act. Finland also substantively amended the AML Act to include a requirement on companies to maintain beneficial ownership information (Chapter 6, Section 2) for this purpose. The responsibility for this requirement lies with the members of the board of directors for companies, which are supported by a requirement on the beneficial owners themselves to provide the necessary information to the entities for the purpose of the register (Chapter 6, Section 1). The AML Act does not however provide for a penalty on beneficial owners for failure to provide the entity with the necessary information.

100. Companies are only required to apply subsections 2-4 of the beneficial ownership definition of Chapter 1, Section 5 rather than the definition in its entirety (see paragraphs 87-91). The requirement on beneficial owners to provide the company with the information they need for the purposes of the register would not preclude further beneficial owners being identified and reported. However, it is unclear how this obligation will apply in practice if the beneficial owner is abroad, and the absence of a penalty means that the obligation cannot be enforced. Moreover, depending on the structure, beneficial owners may not be aware of their status. This means that the definition applicable to the company will play a key role in the information reported, and because the limited definition is not in line with the standard, the register may not always be a reliable source of accurately identifying the beneficial owners of companies.

101. As a control measure on the accuracy of the information in the BO register, the AML Act requires AML-obliged persons to verify that the beneficial owner of the company has been entered correctly in the register when establishing a new customer relationship (Chapter 3, Section 2, Subsection 4). This coincides with the obligations on AML-obliged persons to carry out CDD (see Anti-money laundering framework) to identify beneficial owners. If the AML-obliged persons observe a deficiency or inconsistency in the information registered, they are required to notify the PRO of the discrepancy (Chapter 6, Section 5), which will then request the company to update the register.

102. The effectiveness of this control measure in ensuring the accuracy of the register in terms of beneficial ownership definition is however limited as the definition of beneficial ownership to be applied by AML-obliged persons in respect of companies (Chapter 3, Section 6) also contains deficiencies and is not in line with the standard. Users of the BO register will in any case not be aware whether the information available has been subject to a review by an AML-obliged person, which definition has been applied, and whether there has been a correction. Furthermore, the requirement on AML-obliged persons to verify the information they obtain for their own CDD purposes against the BO register is limited only to when they establish a customer relationship with the entity and not in other instances when CDD must be carried out, such as when renewing CDD. The Finnish supervisory authorities and a number of industry representatives were nonetheless of the opinion that the BO register would typically be consulted whenever CDD is carried out.

103. The BO register was implemented on 1 January 2019. Companies registered after this date were required to submit beneficial ownership information to the register "without delay" by way of a standalone submission to the PRO. Finland plans to integrate this submission into the online registration process. Companies already active before 1 January 2019 were required to file their first notification by 1 July 2020. Before this deadline, Finland undertook an awareness raising campaign to inform companies of the new reporting requirement.

104. All companies are required on an ongoing basis to update the information in the BO register without delay following any changes in beneficial ownership (Trade Register Act, Section 14). This requirement may not ensure that the information on the BO register is always up to date in practice. As beneficial owners can change without the responsible persons in the company being made aware of these changes, the information will only be updated when the change is brought to the attention of the company. The absence of a sanction on beneficial owners for failing to provide the company with the information needed to update the BO register, and the practical challenges in applying and enforcing this requirement on foreign beneficial owners, means this requirement cannot be relied upon to ensure that the beneficial ownership

information is always updated in the register in a timely manner. Finland is considering amending its legislation to require companies to update the BO register annually in order to ensure the information remains current.

105. Although it is not the sole source of beneficial ownership information available, the FTA intends to draw upon the register as the principle source of beneficial ownership information. As companies are not required to follow a definition of beneficial ownership in line with the standard, they will not always provide the register with accurate beneficial ownership information. This deficient definition and the challenges in relation to updating the BO register mean that users of the register, including the FTA, will be unable to rely on the accuracy of the information available. **Finland should ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard.**

Enforcement and oversight of the BO register

106. By 26 October 2021, 163 387 corporate entities[12] had provided their beneficial ownership information to the BO register. Finland estimated that this represented around 66% of the total number of entities expected to report at the time. Rates of reporting compliance vary between entities, with limited liability company compliance at 64% and General Partnership compliance at 15%. Finland believes that the percentage of currently operating companies that have already provided their BO information will be higher than this figure and that a large proportion of the 37% corporate entities that have not yet filed BO information will have no business activity anymore. The estimates of Finnish dormant private limited companies in the review period were 47 844 in 2018, 45 203 in 2019 and 33 450 in 2020 and, while the definition of dormant company for tax purposes may not fully align with an inactive company, the numbers can be considered indicative that even where inactive companies were excluded, there is still a notable proportion of active companies that did not provide BO information. The BO registration requirements in Finland are not in any case limited to legal entities and arrangements that are currently operating.

107. Although the AML Act does not introduce a specific sanction for companies that fail to maintain accurate beneficial ownership information, companies can be fined (see footnote 4 on fines) under the Business Information Act (Section 19) for intentionally or negligently failing to submit

12. Trusts and partnerships with a partner that is a legal person are also subject to this requirement and must report information to the BO register. Associations, foundations, LLHCs and LLJSPCs are not required to provide and update the BO register.

the necessary information to the Finnish Business Information System. Registration offences are also subject to a fine or imprisonment under Finland's Penal Code (Chapter 16, Section 7). Finland put in place a transitional period from 1 July 2019 to 1 July 2020 during which sanctions were not imposed, but no penalties have been applied since the end of the transitional period either. This may be linked to the absence of verification activities undertaken but it is also relevant that PRO considers the available sanctions to be cumbersome and time-consuming to administer, particularly in light of the high number of instances of non-filing that are liable to a sanction. Finland is considering an amendment to the Trade Register Act, which will introduce a new penalty on legal entities and arrangements that fail to provide beneficial ownership information to the register as required. **Finland should introduce effective sanctions for failure to provide beneficial ownership information to the register.**

108. The PRO does not undertake any activities to verify the accuracy of information submitted to the BO register, and although the PRO has sent reminders to companies that have not filed any information, no further follow up action has been taken to ensure that information is reported. The requirement on AML-obliged persons to report discrepancies in the BO register is the PRO's main instrument to identify non-compliance by companies. Upon receipt of a formal discrepancy report, the PRO sends a letter to the entity concerned in the report, asking that the reported deficiencies be remedied within approximately three weeks. If the entity does not update its details within the given time, the PRO will consider possible further actions on a case by case basis.

109. The PRO received approximately 560 formal discrepancy reports between the launch of the BO register until the on-site visit (15 months). These reports were made in relation to the information filed to the register by this date from 163 387 entities. During the on-site visit, interviews were held with a number of AML-obliged persons or their representatives to understand industry's familiarity and compliance with the requirement to file a discrepancy report. While the banking association noted that banks are clearly aware of this obligation, the auditor was unaware of this obligation and the accountants believed that this was only required in the case of criminal behaviour. The Bar Association noted that it only instructs its advocates to notify the entity itself of a discrepancy, rather than notify the PRO.

110. The PRO notes that inconsistencies identified from discrepancy reports so far have, for the most part, already been corrected by the companies themselves after the PRO issued a request for correction. Following requests for corrections, the PRO considered that approximately 100 discrepancy reports were unnecessary (e.g. the company considered the information already submitted to be correct) and found that most corporate entities typically react to a notification from the PRO quite quickly with around 60%

responding within two weeks of receipt. However, no action has been taken by the PRO on corporate entities that continue to fail to update their information and no verification is undertaken or envisaged to determine whether the AML-obliged person or the company was correct in identifying the beneficial owners.

111. Although AML-obliged persons are well-placed to verify the accuracy of the information in the BO register, the absence of monitoring and verification activity by a supervisory authority to follow up on those entities and arrangements identified as having potential discrepancies or as having failed to provide any information means that the effectiveness of this approach is limited. The limit to the requirement on AML-obliged persons to review the BO register when customer relationships are established means there may also be little or no monitoring on the ongoing accuracy of information submitted to the register. **Finland is recommended to put in place a comprehensive and effective supervision programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements**.

Anti-money laundering framework

112. The AML framework plays an important role in ensuring the availability of accurate beneficial ownership information because AML-obliged persons are responsible for ensuring the accuracy of the information in Finland's BO register and also because the requirements on them to carry out due diligence and maintain information on their customers can provide another source of beneficial ownership information in the case of EOI requests, especially where companies have failed to report information to the BO register, and correspondingly failed to maintain BO information for this purpose.

113. The AML framework in Finland was substantially revised in 2017. The Act on Preventing Money Laundering and Terrorist Financing (the AML Act) repealed the 2008 AML Act and introduced the following main changes: i) the risk based approach must now be applied by both AML/CFT authorities and the AML-obliged persons, ii) the powers of the supervisory authorities and the Finnish Bar Association were extended, iii) higher sanctions for non-compliance in the financial sector were introduced, iv) exemptions to CDD were removed, and v) criminal law sanctions for non-compliance with the AML Act were replaced with financial sanctions.

114. The scope of the AML Act is broad. AML-obliged persons include banks and other financial institutions (see Element A.3), as well as non-financial businesses and professions, such as auditors, advocates, lawyers, accountants, tax advisors, and trust and company service providers (Chapter 1, Section 2). The Act requires CDD measures to be applied by AML-obliged

persons when establishing a permanent business relationship, and in relation to particular transactions such as where the customer relationship is of an irregular nature, concerns a transaction above certain monetary thresholds, where the transaction is considered suspicious or if there are doubts on the reliability or adequacy of any previously obtained verification data on the identity of the customer (Chapter 3, Section 2). The CDD information must then be retained in a reliable manner for a period of five years following the end of the transaction or customer relationship (Chapter 3, Section 3). Where the AML-obliged person is unable to carry out the CDD, it is not permitted to establish or maintain the customer relationship, or conclude the transaction (Chapter 3, Section 1). The AML Act also requires the AML-obliged persons to be able to demonstrate to the supervisory authority or any other body responsible for supervision (such as the Bar Association) that their methods concerning CDD and ongoing monitoring are adequate in view of the risks of money laundering and terrorist financing. Furthermore, enhanced due diligence with further verification of the customer is required if the customer is not physically present when identified as part of the CDD.

115. The AML Act is clear that where the transaction or customer relationship requirements to carry out CDD are met, AML-obliged persons must identify the beneficial owners and verify the identities of their customers (Chapter 3, Section 2). The identification requirements on AML-obliged persons are set out under Chapter 3, Section 6, which requires beneficial owners for corporate entities to be identified in line with Subsections 2-4, Chapter 1, Section 5. As set out under paragraphs 93-97, the application of these subsections effectively results in a beneficial ownership definition for AML-obliged persons that is not in line with the standard.

116. The rules with regards to verifying the identity of beneficial owners are not clearly specified in law. The AML Act requires that AML-obliged persons verify the identity of their customers beneficial owners "when necessary" but it does not provide detail on the circumstances that could be considered necessary and there is no reference to suggest that the aforementioned customer identity verification requirements[13] extend to the verification of beneficial owners. There is only limited guidance available that provides clarity on when the identity of beneficial owners must be verified and

13. The information AML-obliged persons are required to retain includes, for individual clients, the name, date of birth, personal identity code and address, as well as the name, date of birth and personal identity code of any representative. Furthermore, they must also retain details on the legal persons' full name, business registration number, date of registration, line of business, address of domicile and address of principal place of business, and if necessary detailed descriptions of ownership and control structures and the articles of association or other organisational rules, etc.

against which type of evidence the identity must be verified (e.g. passport). The Regional State Administrative Agency (RSAA) has advised AML-obliged persons when asked that if the risk of money laundering is low for a customer, then identification without verification can be sufficient and identification procedures by the AML-obliged person should be based upon risk. The absence of detailed, binding guidance on when the identities of beneficial owners must be verified may mean that the information obtained by AML-obliged persons is not always subject to sufficient scrutiny. This poses challenges with respect to the accuracy of the beneficial ownership information held by AML-obliged persons as well as the information available in the BO register which is not otherwise subject to verification by the PRO.

117. To ensure that the information maintained in respect of their customers is up to date, the AML Act requires adequate monitoring in view of the nature and extent of the customers' activities, the permanence and duration of the customer relationship, and the risks involved (Chapter 3, Section 4). Guidance by FIN-FSA, which has not been updated since the new requirements of the AML Act took effect, notes the need for regular reviews of accounts in respect of customer identity information. There is however no specified frequency by which CDD must always be updated. FIN-FSA and RSAA confirmed that the emphasis is on the AML-obliged person to determine appropriate procedures to ensure the CDD information held is up to date, as well as ensure it is accurate and relevant. The AML-obliged person must base this on a tailored risk assessment and the supervisors confirmed that this approach will be reviewed in the course of their supervisory activities. The absence of a legal obligation on AML-obliged persons to update the beneficial ownership information within a clear timeframe means that up-to-date beneficial ownership might not always be available in all cases as required by the standard. In light of the deficiencies in the definition of beneficial ownership applied by AML-obliged persons to corporate entities, and the absence of clear requirements on AML-obliged persons in respect of verifying the beneficial ownership information and in ensuring that it is up to date, **Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard.**

118. The AML Act permits simplified CDD on customers where the AML-obliged person has assessed the risk of the ML/TF risks associated with the customer to be negligible in nature (Chapter 3, Section 8). However, the provision does not expressly state what simplification would mean in practice.[14] FIN-FSA are in the process of updating guidance to banks on

14. However, an AML-obliged person is not allowed to apply a simplified customer due diligence procedure if that AML-obliged person detects exceptional or suspicious transactions.

applying the requirements of the updated AML Act. The non-binding "application guidelines" on simplified due diligence currently available state that beneficial owners do not need to be identified where simplified due diligence is applied. FIN-FSA confirms that no aspects of their guidance generally, including the outdated guidance which is marked as such, can override the obligations of the AML Act in force. No other guidance with regard to simplified CDD has been provided by Finland's supervisory authorities. During the on-site visit, the supervisory authorities were clear that the application of simplified CDD does not alleviate any AML-obliged person of the requirement to always ensure that they identify the beneficial owners of a customer. Furthermore, discussions with AML-obliged persons during the on-site visit demonstrated that even where simplified CDD was applied, it was clearly understood that all beneficial owners must be identified as part of CDD. In order to ensure the availability of beneficial ownership information with AML-obliged persons, Finland should update guidance to clarify that beneficial ownership information must always be obtained when simplified due diligence is applied (see Annex 1).

119. The Act also permits entities to rely on CDD previously conducted by another person introducing the customer (Chapter 3, Section 7). In these cases, the beneficial ownership information must be made immediately available to the AML-obliged person (the relying person), before the customer relationship is established or, if the relationship is of an irregular nature, before a transaction over EUR 1 000 may be undertaken, with the underlying CDD information available to the entity upon request. The Act further makes clear that the relying persons are not exempt from their responsibilities under the Act and they continue to be subject to the same monitoring. The CDD may only be relied upon where that other person is also an AML-obliged person under the Finnish AML Act, or an AML-obliged person registered in another EEA Member State, or in a non-EEA state when the operator is subject to due diligence and data retention obligations equivalent to Finland's AML Act and compliance with those obligations is supervised. Each AML-obliged person is required to evaluate whether the third party meets these requirements. Furthermore, where the AML-obliged person is resident in a non-EEA state, they must not be established in a state where the European Commission has determined that the system for preventing and investigating money laundering and terrorist financing poses a significant risk to the EU's internal market. This conforms to the standard.

Implementation in practice

120. Guidance on the application of AML requirements by AML-obliged persons is provided by each individual supervisory authority, rather than collectively. The RSAA, FIN-FSA, the PRO and the Bar Association issue separate guidance. The Act on Credit Institutions enables FIN-FSA to issue

binding guidance however as it has not been updated since the 2017 AML Act, the requirements in the Act supersede the outdated guidance. Guidance provided by the other supervisory authorities is not binding, but they were of the view that it is taken seriously in practice and discussions with representatives of AML-obliged persons reinforced this. Banking representatives noted that the guidance from FIN-FSA gives banks a good idea of what is expected of them, and the accountants association noted that they had worked closely with the RSAA in the development of its own guidance and that this has been distributed to all accounting offices in Finland.

121. At the time of the on-site visit (October 2021), the updated AML legislation had been in place for four years and the BO register had been established for over two years. Nevertheless, the representatives of the auditors, accountants, lawyers and banks interviewed had a mixed understanding on the application of the definition of beneficial owner in practice, their responsibilities to identify the beneficial owners of their customers, and the requirement to notify the PRO of any discrepancies in the BO register.

122. Furthermore, representatives of AML-obliged persons were not always clear on the application of the beneficial ownership definitions, including the order of application (cascade or simultaneous). There was a general lack of clarity on the next steps in identification where a beneficial owner could not be identified from having more than 25% of ownership or voting rights, as well as on what control through other means ("in any other way effectively exercises control of a legal person") would be in practice. The Bar Association noted that the approach to identifying beneficial owners was not consistently applied by Finnish attorneys in practice. Indeed, they explained that attorneys sometimes directly apply the fall-back position of identifying the senior manager as the beneficial owner without applying the two first tiers of the definition, which they acknowledged was not in line with the AML Act. The Bar Association also flagged that there are challenges in identifying beneficial owners that might be based outside of Finland. Therefore, recognising that the updates to the CDD requirements and the beneficial ownership definitions are relatively new, in order to aid application of the rules in practice, Finland should ensure that all supervisory authorities have sufficient effective guidance to assist AML-obliged persons with the obligations to identify the beneficial owners of customers in line with the standard (see Annex 1).

123. As outlined in paragraph 116, the AML Act does not specify when verification must be undertaken to ensure the accuracy of the beneficial owner's identity by AML-obliged persons and there is no binding guidance to this effect. Discussions with AML-obliged persons found that in practice there is little verification undertaken, and the BO register is sometimes relied upon when verification is undertaken. For example, it was not viewed that auditors were responsible for verifying the accuracy of the information nor that there

was a need for auditors as AML-obliged persons to understand the ownership and control structures of their customers. It was however noted that most of the entities that auditors come across have simple structures and as such there are mostly no issues with identifying beneficial owners in practice.

124. Challenges in the beneficial ownership definition were found, which could relate to the effective presence of three beneficial ownership definitions for corporate entities (see paragraph 85), albeit with only one applicable for AML-obliged persons carrying out CDD (see paragraphs 93-97). Nevertheless, discussions with AML-obliged persons during the on-site visit demonstrated that altogether there was a good but uneven awareness of their obligations under the AML Act and there was awareness that the customer relationship should not proceed where they cannot identify the beneficial owners of their customers. Furthermore, it was broadly understood that the BO register should not be the sole source of information used by AML-obliged persons to fulfil their CDD requirements, although representatives were not always aware of their obligations to file discrepancy reports to the PRO in respect of the BO register and representatives did not fully understand the requirements on AML-obliged persons to verify the information obtained.

125. Clear guidance by all relevant supervisory authorities would help ensure that AML-obliged persons are aware of their responsibilities vis-à-vis the BO register, including when they are required to file discrepancy reports. Finland should ensure that all supervisory authorities have sufficient effective guidance to assist AML-obliged persons with the obligations to notify discrepancies in the beneficial ownership register (see Annex 1).

Enforcement and oversight

126. The Regional State Administrative Agency for Southern Finland (RSAA) is the main AML supervisory authority of non-financial business and professions subject to AML obligations across Finland. The RSAA also covers a range of financial institutions which are not supervised by FIN-FSA, the main financial industry supervisory authority. The Bar Association has AML supervisory responsibilities over its 2 700 members, but all other lawyers, advocates and legal advisors are also subject to RSAA supervision. In total, the RSAA supervises 4 306 professionals. The PRO is responsible for the supervision of the 2 152 auditors.

127. All supervisory authorities have the right, notwithstanding secrecy obligations, to obtain information from AML-obliged persons without delay and free of charge for the purposes of fulfilling their supervisory functions (Chapter 7 Section 2, AML Act). The AML Act empowers them to carry out inspections, and to obtain access to documentation, recordings, information systems and business premises for this purpose. They also have the right

to apply fines and non-financial sanctions, such as the right to issue public warnings and to restrict the AML-obliged person's business and activities in case of non-compliance. Administrative fines of between EUR 1 000[15] and EUR 100 000 (EUR 500 and EUR 10 000 for natural persons) or more severe penalty payments of up to EUR 1 million may be applied to AML-obliged persons or to a member of that person's management. Where a financial or credit institution has failed to comply, penalty payments can range up to the greater of 10% of the group's turnover or EUR 5 million (Chapter 8, Sections 1-4). As a membership body, the Bar Association is unable to apply financial sanctions directly, but it can make proposals to the RSAA to apply an administrative fine or penalty payment on persons subject to its supervision.

128. The RSAA has AML supervisory and monitoring responsibilities across AML-obliged persons in both financial and non-financial sectors. The RSAA has a team of eight persons responsible for AML supervision, which reflects an increase in the number of staff following the recommendations set out Finland's 2019 FATF Mutual Evaluation Report. Compliance by AML-obliged persons with their record keeping obligations is a key element of the RSAA's checks and this is reviewed in every inspection. Where an on-site inspection is undertaken, RSAA officers review the records to verify that the AML-obliged person has correctly adhered to the regulations and correctly identified the beneficial owners of its customers. If shortcomings or failures are identified, the RSAA reminds the entity of its obligations and requests corrections, which can be enforced with a conditional fine or the application of administrative sanctions. Between 2018 and 2020, the RSAA conducted 17 inspections on AML-obliged persons in the real estate sector and 6 inspections on consumer credit providers. Not all inspections in the real-estate sector reviewed the full range of the AML-obligations but from the inspections undertaken, the RSAA noted that there had been a need to clarify the definition of beneficial ownership and what information needs to be reported. In addition to inspections, the RSAA carried out supervision campaigns on its accountants and legal service providers by issuing questionnaires which could be used in its risk assessment activities.

129. Of the cases that were subject to inspection, sanctions are being considered in three cases; the RSAA is also considering the application of two sanctions based on proposals made by the Bar Association. Additionally, two real estate agencies were issued written warnings for AML failures. The number of (off-site) inspections increased to 19 in 2021, including 3 off-site inspections of accountants and 5 off-site inspections of financial service providers. Nevertheless, in light of the number of AML-obliged persons the

15. An amendment to the AML Act entered into force on 1 April 2022 and reduced the minimum administrative fine from EUR 5 000 to EUR 1 000 to reflect that some AML-obliged persons have a relatively low turnover.

RSAA is responsible for, the proportion subject to an annual audit (0.1%) remains low.

130. The PRO has extensive responsibilities in relation to Finnish auditors, including managing their registration (licensing), arranging examinations for new auditors, and overall supervision, which includes supervision in respect of AML obligations. The PRO has published guidance for auditors on AML/CFT matters and plans to provide comprehensive guidelines. In terms of oversight, the PRO distinguishes between quality inspections and regular investigations. A quality inspection is carried out on all auditors at least once every six years and at least once every three years for auditors responsible for auditing companies that meet the definition of a "public interest entity". Regular investigations are however not based on a particular review cycle but are carried out on the PRO's own initiative or following a request. Where AML/CFT on-site inspections are undertaken outside of the review cycle, these typically take two to three hours and focus on the auditor's procedures and documentation, with a special focus on how the AML requirements are applied in practice. AML/CFT supervisory activity formed a part of the quality inspections until June 2020, after which point they have been carried out separately. No such AML specific inspections were undertaken in 2020, although 10 AML reviews were undertaken in 2021 and 20 are planned for 2022. During quality inspections the PRO is able to give recommendations or instructions to auditors or audit firms, and further enforcement measures are available. The PRO carried out 65 quality inspections in 2018, 175 in 2019 and 139 in 2020. These quality inspections identified many critical deficiencies in relation to AML/CFT requirements, particularly in relation to failures to conduct risk assessments.

131. The Bar Association has 2 233 attorney members with 749 law firm members. The Bar Association has a team of five lawyers who are responsible for carrying out all supervision activities. AML resource varied during the last few years, with only one AML expert in the team in 2019. On-site inspections are general inspections which include a review of AML issues. Targeted AML/CFT off-site inspections are also undertaken. Supervisory inspections increased in 2018 compared to previous years, with 130 inspections carried out in 2018, 80 of which were subject to an AML/CFT targeted off-site inspection. 50 on-site general inspections which cover AML-issues, were held. Such inspections were carried out by lot from across the supervised law offices. Law offices subject to inspection are asked to provide information on their AML/CFT obligations in a questionnaire which was used by the Bar Association to select certain law offices for a desk-based inspection on the basis of risk. Aspects considered as part of the inspection process include the law office's compliance with identification and verification requirements, determining the beneficial owners, and ongoing monitoring of the customer relationship. A random check must always be carried out to determine how the

CDD information has been obtained. The following table outlines the number of on-site inspections undertaken by the Bar Association during the review period.

Inspections activity by the Bar Association	Total number of inspections carried out	Number of on-site inspections having identified AML/CFT infringements	Recommendation to update risk assessment or instructions	Transfer to the Disciplinary Board	Transfer to RSAA	Number of sanctions taken to court (if applicable)
2018	130 (50 on-site)	42	40	1	1	-
2019	130 (23 on-site)	-	9	-	-	-
2020	0	-	-	-	-	-

132. As outlined in the table, the number of inspections carried out by the Bar Association in 2018 and 2019 remained constant although in 2019 the number of on-site inspections decreased, and in 2020 the Bar Association carried out no inspections at all due to the Covid pandemic and work undertaken to renew the inspection process. The Bar Association carried out general inspection on 38 new law offices and intends to carry out inspections on all new law offices from 2021.

133. FIN-FSA is Finland's principal financial and insurance supervisory authority, responsible for both prudential and AML supervision across around 1 040 entities, of which 650 entities were subject to its AML supervision. These entities included banks (see Element A.3 below), insurance firms, investment firms, fund management companies and payment institutions. Similar to the RSAA, FIN-FSA increased the size of its team responsible for AML supervision in recent years from 5 persons in 2018 to 10 since 2020. Since 2019 its supervisory activities have been directed towards the largest retail banks and registered money remittance business, in line with its risk-based approach. The responsibilities of FIN-FSA where it concerns banking supervision specifically are covered in more detail under Element A.3. For all AML-obliged persons subject to its supervision, including banks, FIN-FSA has carried out training events to help its registered entities identify ML/TF risks and engages with them informally to promote compliance. It has also issued targeted questionnaires as part of a risk-based approach to carrying out supervision. When FIN-FSA carries out an AML inspection, it reviews the organisation of obliged-person's AML/CFT activities, processes and risk management. FIN-FSA can also carry out more thematic inspections where appropriate. If issues are identified, a follow-up inspection can be carried out. Inspections include both on-site and off-site phases, with on-site inspections taking from between 1-2 days at payment service providers or money transfer companies to between 3-14 days at credit institutions. FIN-FSA carried

out four inspections as part of its supervisory activities during the review period, which amounts to a low proportion (around 0.2%) of inspections on its 650 supervised entities annually. With an expanded AML team, FIN-FSA hopes to increase the number of annual inspections on AML-obliged persons to five (around 0.8%).

134. With the exception of supervisory activities of the PRO on auditors, the audit statistics across AML-obliged persons reveal an insufficient outreach by the supervisory authorities for the monitoring of compliance with AML obligations, both in financial and non-financial entities. There are no supervisory activities in respect of a number of AML-obliged professions, including most professions under the responsibility of the RSAA. Although the RSAA has commenced activities on accountants (three inspections in 2021), the number of audits remains very low when considered against the number of accountants (2 268). On-site inspections play a key role in ensuring that AML-obliged persons are correctly obtaining and maintaining beneficial ownership information but do not appear frequent enough. While the COVID-19 pandemic may have inhibited monitoring activities, very few audits were undertaken even before such restrictions. The low number of supervisory activities appears to be reflective of limited human resources allocated to AML supervision across supervisory authorities. Although the number of AML officers has increased during the review period, their sufficiency should be considered against the number of AML-obliged persons subject to supervision and the risks of incorrect application of the AML requirements already identified as present in Finland. Sufficient supervision will be key in ensuring the accuracy of the information held by AML-obliged persons and, in the absence of monitoring by the PRO, the accuracy of information in the BO register through the filings of discrepancy reports. **Finland should put in place a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all legal entities and legal arrangements**.

Nominees

135. The 2013 Report determined that Finland's legal and regulatory framework was adequate to ensure availability of accurate ownership information, recognising that when shares are held by nominees, the holder of the custodian nominee account is required to know the identity of the person it is acting on behalf of. The legal and regulatory situation in respect of nominees is unchanged since 2013.

136. Finnish law expressly permits shares to be held by nominees, but only in the circumstance where the nominator is not a Finnish resident and the shares are in book-entry form (see paragraph 52). It is not however a

requirement that foreign shareholders use a nominee to hold shares. Under Section 5a of the Act on Book-Entry Accounts, a corporation or a foundation can be held in a nominee account maintained by a custodian with the central securities depository (CSD), and the account at the CSD must explicitly indicate that it is a nominee account. The account holder of a custodial nominee account may be a CSD, a central bank, an account operator or a credit institution. The holder of a custodian nominee account is required to know the identity of the person it is acting for under Section 28 of Act on Book Entry Accounts. Finland confirms that nominees must be licensed and regulated custodians as well as AML-obliged persons, although they do not necessarily have to be subject to AML supervision in Finland. On 4 January 2021 there were 22 registered nominees at Finland's CSD, 5 of which will not act as nominees in practice as they are governmental entities or central clearing counterparties. Nominee shareholdings are only possible in the case of a book-entry system and on 31 October 2021, there were 297 Finnish entities with a book-entry system, 84 of which were private limited liability companies, including one mutual insurance company, and one SE, and the remainder were publicly listed companies. This means that in practice, the proportion of companies where legal ownership information would have to be obtained from the CSD as opposed to the information submitted in a tax return, outlined from paragraph 59, is minimal.

137. As nominees must be regulated as AML-obliged persons, they will always be required to identify the nominator (i.e. their client) and the beneficial owner of the nominator. This means that beneficial ownership information should always be available and obtainable from the nominee and the Act on the Book-Entry System and Settlement Activities (Chapter 4, Section 4) requires that the nominees provide FIN-FSA with the beneficial owner upon request. The same section also gives the right to the issuer (the concerned entity) to request this information. As the nominees are not required to be based in Finland, the beneficial ownership information is not required to be held at the Finnish CSD, unlike the legal ownership information, which could result in practical challenges in obtaining the BO information from the nominees directly. However, non-compliance by a nominee means than they can be subject to a withdrawal of access rights to the CSD (Chapter 3, Section 8), which should provide an adequate deterrent to failures to co-operate. In such instances, the shares will remain on the nominee account but the nominee will have to be replaced by another regulated nominee, which will be subject to the same obligations.

138. The deficiencies identified in respect of the definition of beneficial ownership for corporate entities (see Beneficial ownership definitions) applicable to companies for the purposes of the BO register and to AML-obliged persons will also apply in relation to companies with nominee shareholdings. As AML-obliged persons, nominees may therefore not always identify the

beneficial owners of the nominator. **Therefore, Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard**.

Availability of beneficial ownership information in EOI practice

139. Finland did not receive any requests for beneficial ownership information during the three-year review period.

A.1.2. Bearer shares

140. The 2013 Report discussed bearer shares in paragraphs 64 to 67. Although bearer shares in publicly listed companies were invalidated following a transition period, there was no requirement for bearer shares in private companies to be converted, and no time limit was introduced on bearer shareholders to exercise their rights. The report noted however that bearer shares have not been issuable since 1 January 1980, and although some bearer shares may still exist, it was considered that the risks associated with the circulation of such shares were not significant. Prior to 1 January 1980, 9 400 companies had been incorporated and remained in existence at the time of the 2013 Report: this represented 5% of all companies in existence. It remained unclear how many of the 9 400 companies had been able to issue bearer shares based on their articles of association, but it was noted that the Finnish authorities had never detected these in practice and, for EOI purposes, Finland had never come across a case where it was unable to identify all shareholders of a company. This was considered alongside a number of requirements which would require the legal and beneficial ownership of bearer shares to be identified over time, if they did exist. For example as the taxes acts require information on shareholders with shareholdings above 10% to be submitted in a tax return, the entity would in practice be required to obtain the relevant shareholder information for this purpose. There is also a requirement for the transferors and transferees of non-listed companies to be identified as part of their asset transfer tax filings, subject to certain exceptions (see paragraph 61). As the use of bearer shares had not been prevalent and no issues had arisen in practice, Finland did not consider the need to issue further information or legislation to address bearer shares.

141. Finland reaffirms its position that if any bearer shares continue to exist, these would be very low in number. The PRO most recently in 2020 undertook an exercise to identify the possibility of bearer shares across the 9 400 companies incorporated before 1980. If any of these companies were able to issue bearer shares, the possibility to do so would be stated in their articles of association. The PRO therefore carried out a review on all articles of association, which they maintained, searching for the term “bearer shares”

and similar key words but did not find any reference. During the 2021 on-site visit, public authorities had still not come across any bearer shares and none of the AML-obliged persons present had ever come across a bearer share. Indeed, the concept of bearer share was considered so unfamiliar in the Finnish context that the AML-obliged persons noted that any CDD undertaken which identified them would consider them to be a risk from the outset. In addition, the AML-obliged persons noted that if they remained unable to identify the beneficial owners, they would not be able to proceed with the customer relationship or transaction. Similar to the previous review period, Finland did not receive any EOI requests for legal ownership information where it was unable to provide the information.

142. The risk posed by residual bearer shares in Finland remains minimal and Finland has appropriate reporting requirements in place that would periodically require the legal and beneficial owners to be identified.

A.1.3. Partnerships

Types of partnerships

143. The Partnership Act 389/1988 (PA) allows for the formation of the following partnerships, with individual or entity partners:

- ***General Partnership***: The partnership is a legal person and all partners are personally responsible (jointly and severally liable) for the partnership's contracts and debts. Partners can contribute to the partnership in the form of cash, assets or work (services). The agreement to establish the partnership must be made in writing and signed by all partners. On 4 January 2021, there were 8 903 General Partnerships in Finland.
- ***Limited Partnership***: The partnership is a legal person and has both general and limited partners. There must be at least one general partner and one limited partner in a limited partnership. General partners have management control and are jointly and severally liable for the obligations of the partnership. Limited partners have no management control and are only liable to debts incurred by the partnership to the extent of their investment. On 4 January 2021, there were 25 411 limited partnerships in Finland.

144. Similar to partnerships, Finnish law also allows for the establishment of **European Economic Interest Groupings** (EEIGs), as set out under European Economic Council Regulation No 2137/85 and implemented via the Act on European Economic Interest Groups (1299/1994). An EEIG is a form of association between companies and other legal persons, firms or individuals from different EU Member States. On 4 January 2021, there was only one EEIG in Finland.

145. Although all partnerships are legal persons once they have been registered, they remain transparent entities for tax purposes.

Identity information

146. The 2013 Report concluded that the rules regarding the availability of identity information in respect of partnerships was in compliance with the standard (see paragraphs 71-78). As outlined in the 2013 Report, partnership information submitted to the PRO includes the name, address, personal identify number, date of birth and nationality for partners that are natural persons and the company's identification number in the case of legal persons.

147. The legal framework has since been updated to require that all partnerships, including EEIGs, be registered in the Trade Register in order to acquire legal personality: since 1 January 2016 it is no longer possible to establish a partnership by a partnership contract only, and following a two year transition period any partnership not registered is deemed to be dissolved. Furthermore, where any partnership wishes to change its partners, it is required to amend the partnership agreement and this amendment is only valid once it has been registered with the Trade Register.

148. Although the PRO does not undertake monitoring of partnership identity information submitted to the Trade Register, the information can be considered as always being up to date and accurate because a person's legal status as a partner only takes effect once the register is updated.

149. The partnership also submits identity information on each of its partners to the tax authority in annual income tax returns, including their name, personal identity code, business ID, partner status (general or limited), and their proportion or share of the partnership's income. Any changes to partners in a partnership must also be notified to the tax authority via the Business Information System website. This information is transmitted to the FTA in real time. The tax authority must be duly informed as partnerships are not taxable entities, and instead, partners are taxed according to their share in the partnership. Foreign partnerships that operate in Finland are required to submit the same identity information on each of their partners, irrespective of the partner's tax residence, in a tax return.

150. There is no requirement on partnerships to ensure records are maintained on the identity of partners following the end of the partnership. However, the information is maintained by the tax authority for 15 years following the submission of the final tax return, ensuring the availability of this information in Finland.

151. The tax authority conducts around 200 audits annually on partnerships and this normally includes a check that partners have been correctly reported. For the purposes of complying with both PRO and tax authority

notification requirements, the partnership will also maintain information on its partners (see the 2013 Report, paragraphs 71-76).

Beneficial ownership

152. The 2017 AML Act includes a requirement for partnerships with a legal person as a partner to provide their beneficial ownership information to the BO register. Similar to companies (see sub-Element A.1.1), beneficial ownership information on partnerships, including foreign partnerships that carry on business in Finland and are therefore taxable there, is available through a multi-pronged approach in Finland:

- Partnerships are required to maintain up-to-date beneficial ownership information themselves (AML Act, Chapter 6, Section 2).
- Partnerships where a legal person acts as a partner, and all foreign partnerships that carry on business in Finland and are therefore taxable there, are required to provide information on their beneficial owners to the BO register (Trade Register Act, Section 5).
- AML-obliged persons are required to carry out customer due diligence and identify and maintain beneficial ownership information on their customers (AML Act, Chapter 3).

153. The AML Act sets out the same definition of beneficial ownership for all corporate entities, including partnerships, under Chapter 1, Section 5 (see paragraph 83). The definition requires "a natural person" to be identified and Finland has confirmed that reference to "a natural person" should be interpreted as "any natural person". In line with the beneficial ownership definition of companies, the simultaneous approach is applied. However, similar to the definition for companies, for the purposes of the BO register, partnerships are only required to identify beneficial owners under Subsections 2-4 of Section 5, and AML-obliged persons are subject to an additional requirement to apply Subsection 1 to identify any other persons effectively exercising control to the extent appropriate based on money laundering and terrorist financing risks.

154. As with all legal persons other than companies, the principle that should be applied to partnerships is that the determination of beneficial ownership should take into account the specificities of their different forms and structures.[16] In Finland, all general partners in a general partnership or in a limited partnership effectively have independent decision making power under the Partnerships Act, i.e. the right of a veto. Therefore any general partner that is a natural person will always be identifiable as a beneficial owner

16. See paragraphs 16 and 17 of the Interpretive Note to FATF Recommendation 24.

(Subsection 3, paragraph 2). Subsection 2 would also require any natural persons with more than 25% ownership interest in a legal entity to be beneficial owners. However, the application of Subsection 2 appears redundant in the context of Finnish partnerships as Finnish authorities confirmed that, for the definitions of beneficial ownership applicable to persons in respect of the BO register and to AML-obliged persons, beneficial owners are only identifiable where they could be considered to exercise control through indirect ownership (Subsection 3) or through other means (Subsection 1, Paragraph 3). This means that if a partner is a corporate entity, only natural persons able to exercise independent decision making power in the partnership, by way of the corporate entity, are identifiable as beneficial owners, irrespective of the natural person's equivalent interest in the partnership. This practice would not be in line with the standard.

155. The AML Act excludes partnerships with only natural persons as partners from having to report beneficial owners to the register, recognising that the Trade Register must always be updated following any changes in partners. Although this may in most cases ensure that all beneficial owners are identified, should another natural person be able to exercise control through any other means, this would not be reflected in the Trade Register. This information would remain available with any AML-obliged persons that have been engaged by the partnership, although the limited application of Subsection 1, Paragraph 3 by AML-obliged persons (see paragraph 95) may mean that they are not always identified. The same deficiencies under sub-Element A.1.1 on identifying indirect ownership and control by other means of companies also apply to partnerships.

156. Limited partners in Finland are not entitled to receive income or assets in the same manner as a general partner. Limited partners are instead limited to only receiving an amount corresponding to interest paid in respect of their contribution to the partnership (Chapter 7, Section 4, Partnerships Act). Remaining profits are then distributed to general partners. As limited partners do not have the right to manage the partnership's affairs and do not have the right of veto (Partnerships Act, Chapter 7, Section 3), they would also not be identified as beneficial owners under Subsection 3. Natural persons that are limited partners are therefore not required to be identified as beneficial owners. Nevertheless, if for any reason a natural person who is a limited partner exercised control by other means, they would not always be adequately identified as beneficial owners due to the limited application of Subsection 1, Paragraph 3.

157. If no natural person has been identified as a beneficial owner under the previous subsections, Subsection 4 would require that other senior managing official equivalents be reported instead (see paragraph 91).

158. The definitions of beneficial ownership applied by partnerships in respect of the BO register and by AML-obliged persons mean that beneficial ownership information available on partnerships may not always be identified in line with the standard. **Therefore, Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard**.

Oversight and enforcement

159. The enforcement provisions of partnerships for legal and beneficial ownership information are similar to those discussed under companies and are referred to in Element A.1.1. **Finland should put in place a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all legal entities and legal arrangements**.

Availability of partnership information in EOI practice

160. In the peer inputs provided for the peer review period, Finland did not receive any requests for identity information nor beneficial ownership information, in respect of partnerships.

A.1.4. Trusts

161. Jurisdictions should take all reasonable measures to ensure that beneficial ownership information is available to their competent authorities in respect of express trusts (i) governed by the laws of that jurisdiction, (ii) administered in that jurisdiction, or (iii) in respect of which a trustee is resident in that jurisdiction.

162. Finnish law does not allow for the creation of trusts and the legal concept of a trust or similar legal arrangements does not exist under Finnish law. Furthermore, Finland has not ratified the 1985 Hague Convention on the Law Applicable to Trusts and on their Recognition. There are however no legal impediments to Finnish persons (legal or natural) acting as a trustee, trust protector or trust administrator or otherwise in a fiduciary capacity in relation to a trust formed under foreign law for a foreign trusts. Finnish law recognises that such trustees for foreign express trusts or other comparable legal arrangements may be resident in Finland and as such professional trustees are subject to AML/CFT Act.

Requirements to maintain identity and beneficial ownership information in relation to trusts and implementation in practice

163. The 2013 Report concluded that Finland had taken reasonable measures to ensure that identity information in respect of foreign trusts with a Finnish resident trustee or administrator is available to its competent authorities. This reflected that professional trustees in Finland would be Finnish resident for tax purposes and as such would be required to hold all relevant documentation necessary for the determination of their income (Section 11, AAP), where remunerated as a trustee. Furthermore, in practice, Finland considered that trustees would maintain evidence to demonstrate that they are not liable to tax on the income of a trust as this is accrued to other persons. This was considered to most likely include documents related to the management of a trust, such as a trust deed. Finnish tax treatment of trusts remains unchanged with Finnish residents taxed on their worldwide income.

164. Furthermore, the report acknowledged that professional service providers, providing trustee services by way of a business, were AML-obliged persons, who are required to identify their customers and their beneficial owners. It was further noted that information concerning foreign trusts was not one of the categories of information Finland was specifically requested to provide in the review period.

165. Since the 2013 Report, the AML Act has been substantively amended to incorporate the requirements of the EU's 4th AML Directive, including to update the definition of beneficial owner in the context of trusts and similar legal arrangements in Finland.

166. The updated AML Act specifically includes any trust and company service providers as AML-obliged persons (Chapter 6, Section 2) with such persons defined as any corporate entity or trader which by way of its business provides the service of acting as a trustee of a foreign express trust (Chapter 1, Section 4). As AML-obliged persons, trust and company service providers are required to comply with all CDD requirements set out in the AML/CFT Act when providing services to third parties, including to trusts for which they are trustees.

167. The trustee must maintain a list of the beneficial owner(s) of the trust in a reliable manner after its establishment (Chapter 6, Section 2) and report this information to the BO register (Chapter 6, Section 3), including the name, date of birth, citizenship and country of residence of the beneficial owners, as well as the basis for and extent of their control or interest. Personal identity codes of the persons must be included and if the person does not have a Finnish personal identity code (i.e. is not registered with the DVV), a valid copy of a passport (or similar document) is required to be submitted. In line with the requirements set out under the EU Directive, trustees must also report the name of the foreign trust and the jurisdiction under whose laws the

trust has been established. If the foreign trust has been registered elsewhere in the EEA, the trustee should report a corresponding registration number for that jurisdiction. In this case, the trustee would not have to provide full information to the register but would still be required to maintain the BO information under Finnish law. Where the trust enters into a relationship or carries out a transaction with another AML-obliged person, the Act further requires the trustee to provide the beneficial ownership information to that other AML-obliged person.

168. The CDD information, including detailed descriptions of ownership and control structures where necessary, must be retained for a period of five years following the end of the customer relationship (Chapter 3, Section 3) and information submitted to the BO register will be retained indefinitely. This will not only ensure the availability of beneficial ownership information with the trustee, when the trust ceases to exist, but the retention of ownership structures will also ensure the availability of identity information concerning any legal persons or arrangements that are settlors or beneficiaries, which would not be available indefinitely in the BO register. Although it may be rare in practice for non-professional trustees of foreign trusts to operate in Finland, non-professional trustees of foreign trusts would not be AML-obliged persons and therefore would not be subject to the same retention requirements. However, Finland considers that because trustees would have to demonstrate that they are not liable to tax on the income and assets of the foreign trust, they would have to retain evidence of the legal arrangement and therefore this identity information, such as in the form of the trust deed, should still be available.

169. At the time of the 2013 Report, only beneficiaries of trusts were considered to be beneficial owners. The amended AML Act (Chapter 1, Section 6) extends the definition of beneficial ownership, in line with the EU Directive. AML-obliged persons with customers that have legal arrangements within their ownership structure, and Finnish trustees of foreign trusts, would therefore be required to apply the following definition:

> **Beneficial owner of foreign trust**
>
> 1. The beneficial owner of a foreign trust means a natural person who is the trust's or the trust-like legal arrangement's:
>
> 1) settlor or protector, if any;
>
> 2) trustee;
>
> 3) beneficiary; or
>
> 4) a person in a corresponding or similar position to a person referred to in paragraphs 1-3.

> 2. If the beneficiary referred to in Subsection 1 has not yet been determined the beneficial owner shall mean, instead of the beneficiary, the groups of persons in whose main interest the legal arrangement or legal person has been established or operates.
>
> 3. In addition to the provisions in Subsection 1 and 2, another natural person who ultimately exercises control in the foreign trust or trust-like legal arrangement through direct or indirect ownership or by other means is also considered the beneficial owner.

170. The beneficial ownership definition in the case of trusts is extended to include all natural persons who are settlors, protectors, trustees and beneficiaries, in line with the EOI Standard. Although not specified under Section 6, the AML Act and the Government Proposal make clear that beneficial owners can only be natural persons. In the scenario that the settlor, trustee, beneficiary or person in a corresponding or similar position are not natural persons, Subsection 3 provides that a natural person who ultimately exercises control through direct or indirect ownership should be considered the beneficial owner. The Government Proposal provides clarity on direct and indirect ownership in the context of corporate entities and also clarifies that ownership and control structures must be considered when identifying beneficial owners. While not directly related to trusts or similar legal arrangements, the reference to control through direct or indirect ownership should ensure that entities holding the aforementioned positions in trusts must be looked through to identify the beneficial owner. Finland also confirms that the look through approach must be applied if an arrangement were to be in one of the aforementioned positions and Subsection 3 should also require that such arrangements be looked through to identify a natural person exercising control by other means. Unlike the beneficial ownership definition for corporate entities (see sub-Element A.1.1), the full beneficial ownership definition for trusts must be applied by both trusts for the purpose of the BO register and by AML-obliged persons irrespective of the level of risk. Although detailed in the Government Proposal, Finnish supervisory authorities have not produced guidance on the application of the beneficial ownership definition in respect of trusts, including with respect to the look through approach. Recognising that the beneficial ownership definitions are relatively new, in order to aid application of the rules in practice, Finland should ensure that all supervisory authorities have sufficient effective guidance to assist AML-obliged persons with the obligations to identify the beneficial owners of customers in line with the standard (see Annex 1).

Oversight and enforcement

171. The enforcement provisions in respect of the BO register are similar to those discussed under companies and referred to in sub-Element A.1.1.

172. The RSAA is responsible for monitoring the compliance of company service providers as AML-obliged persons with the AML/CFT Act. Company service providers, which could offer trustee related services, previously maintained within a separate register until the activation of a consolidated company service providers register in 1 January 2020. The RSAA carries out fit and proper assessments before registering (trust and) company service providers. This includes carrying out an assessment on persons holding a management position to ensure they have not been convicted of an offence during the past five years (particularly an offence of a financial nature), are not otherwise unsuitable to hold the position, and have not repeatedly or in a significant manner failed certain financial, registration or notification duties in the three years prior.

173. As described under sub-Element A.1.1, there is insufficient oversight by the RSAA for the verification of compliance of AML obligations in the non-financial sector, and no audits were performed on licensed company service providers during the last three years. **Finland should put in place a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all legal entities and legal arrangements**.

Availability of trust information in EOI practice

174. The Finnish authorities have never received a request for information pertaining to trusts.

A.1.5. Foundations and associations

175. Finnish law permits the establishment of foundations under the Foundations Act (109/1930) and associations under the Associations Act (503/1989). Both foundations and associations are intended to be used in the pursuit of a non-profit aim, such as a scientific, cultural, educational or charitable aim. While foundations and associations may have business activity, it is usually limited and intended to finance their non-profit activities. Both foundations and associations must be registered with the Foundation Register and the Association Register, maintained by the PRO, upon establishment in order to be considered a legal person.

176. In Finland, the Associations Act requires that associations be founded only for the common realisation of a non-profit purpose (Section 1) and that this purpose be specified in their statute. Furthermore, economic activities are

only allowed to be undertaken for the realisation of this non-profit purpose or where deemed to be economically insignificant. Associations are prohibited from providing a direct financial benefit to a member out of the scope of the association's beneficial (common realisation of a non-profit) purpose or from having a primarily financial purpose (Section 2). In order to ensure that associations meet their requirements, the intended rules of an association are examined upon its registration and they are also subject to oversight by statutory audits under the Auditing Act. Section 43 of the Associations Act provides for the termination of an association if it acts substantially against the law, against good practice, and/or against the purposes set out in its rules. Therefore, and to that extent, they are of limited pertinence to the exchange of information for tax purposes and only a brief overview of their legal structure and ownership and identity information requirements is given here. On 31 December 2020, there were 106 879 associations registered in Finland, 552 of which were registered in the Trade Register for the purpose of an economic activity.

177. Foundations have substantively similar non-profit purposes as associations and are subject to similar checks as associations. Foundations are categorised according to their operational purpose as either i) operative foundations (e.g. nursing homes and housing foundations), ii) grant-making foundations, or iii) as having a mix of operations and grant-making activities. However, unlike associations, where permitted under the Articles of Associations, foundations can serve to provide economic support to another legal person or to family relatives of the members of a foundation (a "support foundation" or "family foundation") and this is expressly provided for in the Foundations Act (Chapter 1, Section 9). The PRO considers that few such support foundations or family foundations exist in practice and this is reinforced from discussions with an auditor specialised in foundations in the on-site visit who had never come across these. Nevertheless, as support or family foundations may still be created and it is acknowledged that some do exist, they are considered of relevance to the exchange of information for tax purposes. On 31 December 2020, there were 2 676 foundations registered in Finland, 46 of which were registered in the Trade Register for the purpose of an economic activity.

Requirements to maintain identity information in relation to foundations and implementation in practice

178. The 2013 Report concluded (see paragraphs 89 to 99) that Finland had reasonable measures to ensure that ownership information on foundations was available to its competent authorities. The identity information requirements in respect of the founders and members of the foundation council are unchanged. The foundation deed must record the name, personal identity code, domicile and nationality of each founder, and the details of the

initial members of the board of trustees of the foundation. Any changes to this information must be notified without delay to the PRO, and the PRO is responsible for supervising that this requirement is held with in practice. The PRO retains this information indefinitely, ensuring its ongoing availability, including in respect of foundations that have ceased to exist. All foundations are required to undergo a statutory audit and requirements to file a tax return and provide details of beneficiaries for any grants exceeding EUR 1 000 are unchanged from 2013 (see paragraphs 96 and 97). Associations are required to maintain an up-to-date list of their members, including their full name and address.

179. Similar to companies (see sub-Element A.1.1), beneficial ownership information on foundations is available through a multi-pronged approach:

- Foundations in Finland are required to maintain up-to-date beneficial ownership information themselves (AML Act, Chapter 6, Section 2).
- Foundations in Finland are required to provide information on its beneficial owners to the Register of Foundations (Foundations Act, Chapter 2).
- Any AML-obliged person in Finland is required to carry out customer due diligence and identify and maintain beneficial ownership information on their customers (AML Act, Chapter 3).

180. The beneficial owner definition for foundations differs from the general definition set out for corporate entities and from the definition set out for trusts or legal arrangements. The provisions under Chapter 1 Section 7 of the AML Act are instead applicable which defines beneficial owners of foundations as "the members of the board of directors and the supervisory board entered in the Register of Foundations". In practice, as foundations are required to update the members of the board of directors and supervisory board in the Register of Foundations, this beneficial ownership information was already available with the PRO, and therefore additional reporting to the BO register was not necessary. This definition of beneficial ownership under the AML Act is therefore only applicable to AML-obliged persons in the course of their CDD. However, the definition is not in line with the standard. It is recognised that decisions in a foundation are usually exercised by the board of directors or supervisory board according to the foundation deed, and the founding deed containing details of the founders cannot be changed after registration. Nevertheless, the definition excludes the possibility for any other persons who could exercise control through other means from being identified as the beneficial owner. **Finland should ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant entities and arrangements, in accordance with the standard**.

Oversight and enforcement

181. The PRO does not undertake checks to verify the accuracy of the information submitted to its register. Checks are limited to ensuring the provision of all relevant information on submission of notifications, and to ensuring that the persons included in the notification exist. Foundations are however always required to undergo a statutory audit and therefore checks can be taken by auditors responsible for statutory audits on the availability of beneficial ownership information in line with the aforementioned definition. Supervision of auditors and of AML-obliged entities, which would otherwise be required to hold beneficial ownership information on foundations, is detailed in sub-Element A.1.1 and the same challenges with reflect to effective implementation will apply in practice. **Finland should put in place a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all legal entities and legal arrangements**.

Availability of foundation information in EOI practice.

182. In the peer inputs provided for the peer review period, Finland did not receive any requests for legal or beneficial ownership information in respect of foundations.

A.2. Accounting records

Jurisdictions should ensure that reliable accounting records are kept for all relevant entities and arrangements.

183. The 2013 Report concluded that the legal framework in respect of ensuring reliable accounting records was in place. The Report outlined the Accounting Act's requirements on all relevant entities and traders to maintain accurate financial accounts and for most relevant entities to provide annual financial statements to the Patent and Registration Office (PRO). Accounting information in the form of financial statements is available with the tax authority due to the requirements under the taxes acts to provide this information alongside tax returns, with the relevant underlying documentation required to be maintained with the entity.

184. The accounting and record-keeping requirements remain unchanged, ensuring the availability of accounting information, including in case of cessation of a legal entity or arrangement.

185. The accounting and record-keeping requirements are effectively supervised in Finland and enforcement measures are applied when required.

186. During the review period, Finland received 50 requests for accounting information and no issues were reported by Finland or its peers in obtaining such information in practice.

187. The conclusions are as follows:

Legal and Regulatory Framework: in place

No material deficiencies have been identified in the legislation of Finland in relation to the availability of accounting information.

Practical Implementation of the Standard: Compliant

The availability of accounting information in Finland is effective.

A.2.1. General requirements

188. In Finland, the requirement to keep accounting records and their underlying documentation in line with the standard for companies, partnerships, trusts and foundations is met through accounting law requirements, supplemented by other requirements in companies law.

189. The Accounting Act applies to "reporting entities" which are defined as any natural person carrying on a business or a profession, and any legal person, including all limited liability companies, co-operatives, partnerships and foundations, irrespective of their trading status. All reporting entities are required to keep accounting records (Chapter 1, Section 1), in accordance with good accounting practice (Section 3) and double entry booking keeping standards (Section 2).

190. Financial statements are required to be drawn up for each financial year and must consist of:

- a balance sheet disclosing the financial position as at the balance sheet date
- a profit and loss account disclosing how the profit or loss arose
- a cash flow statement disclosing funds acquired and their application, if the reporting entity is a large undertaking or a public-interest entity
- notes to the balance sheet, the profit and loss account and the cash flow statement (Chapter 3, Section 1).

191. The Act requires reporting entities to draw up a financial statement and an annual report for each financial year (Chapter 3). These financial statements must be drawn up within four months from the end of the

financial year, which coincides with the income tax reporting requirements in Finland. The annual report should reflect the financial position, results, risks, factors of uncertainty and any other facts that could influence the business. It may also reflect key information in respect of the business, such as in relation to personnel.

192. Complementing the requirement on the entity to maintain accounting records are the requirements within the respective companies laws on senior managing persons to maintain reliable records. The following persons are responsible for maintaining accounting records: managing directors of companies (Companies Act, Chapter 6, Section 17), the board or the managing director in a co-operative (Co-operatives Act, Chapter 6, Sections 2 and 17), the board of an association (Associations Act, Chapter 6, Section 35), and the board or managing director of a foundation (Foundations Act, Chapter 3, Sections 2 and 15). Although not similarly complemented by the partnerships' legislation, the requirements under the Accounting Act (Chapter 1, Section 1) will in any case require partners to maintain reliable records with sanctions applicable on any person that violates the requirements of the Act. All laws on corporate entities require them to have a registered office in Finland. At least one managing director of a company is required to be resident in the EEA unless the PRO grants a specific exemption and either the chairman of the board of trustees or a person authorised to sign the name of the foundation must be resident in Finland.

193. In addition to entities maintaining accounting records themselves, the Accounting Act requires all limited liability companies, partnerships where one of the personally liable partners is a company, and all co-operatives to file their financial statement and annual report with the PRO. These must be filed within two months after the reports have been adopted at the Annual General Meeting of a limited liability company or a co-operative (LLCA, Chapter 8, Section 10, Co-operatives Act, Chapter 8, Section 10) and no later than six months following the end of the financial year. For other companies, and for partnerships where one partner is a corporate entity (Accounting Act, Chapter 3, Section 9), the financial statement and annual report must be filed within six months from the end of the financial year. In practice, as their systems are interlinked, the submission of information to the PRO is done in conjunction with the submission to the tax authority within four months following the end of the financial year: once accounting information has been provided in line with the tax return forms, they are transferred to the PRO automatically, so no further submission to the PRO is necessary.

194. Foundations and associations, and partnerships that do not have a corporate entity as a partner, are only subject to the requirement to submit information to the PRO where they are not considered small undertakings. A small undertaking would be where on the balance sheet date of the previous

two financial years, the entity has neither total assets of EUR 6 million, a net turnover of EUR 12 million nor more than 50 average employees in a financial year. Foundations and associations that are partly tax-exempt are also required to submit a profit and loss account and balance sheet with their tax return to the tax authority (Chapter 3, Section 15, Decision on information reported in a tax return, 17 December 2020). The Decision does not include the notes to the profit and loss account and balance sheet that would otherwise be included. However, even if these were not provided with the tax return in practice, foundations and associations are still required to retain all elements of their financial statements in line with other corporate entities under the Accounting Act, meaning the notes would be available with the entity.

195. The Accounting Act requires financial statements, management reports, ledgers, charts of accounts, and the list of ledgers and materials to be retained for at least ten years from the end of the financial year, with all other accounting records, including underlying documentation, kept for at least six years (Chapter 2, Section 10) (see sub-Element A.2.2). There is no requirement on Finnish entities to maintain their accounting records in Finland. If the entity maintains its accounting records in another country, access to these records must be guaranteed so that they can be reviewed in Finland by an authority or auditor without undue delay (Chapter 2, Section 9) and non-compliance can be subject to an offence under the Accounting Act (see paragraph 207). Similarly, penalties under companies laws could also apply to the senior managing person(s) required to be resident in Finland for failing to maintain accounting records. In any case, financial statements will always be available in Finland as they are required to be submitted to the PRO and to the tax authority annually alongside the submission of the tax return, with non-compliance subject to penalties or deregistration (see Oversight and enforcement of requirements to maintain accounting records).

196. Foreign companies and foreign partnerships are not reporting entities under the Act but they are still required to submit financial statements to the Trade Register maintained by the PRO within six months from the end of the accounting period if they have established a branch in Finland or have an effective head office in Finland, or if they otherwise carry on a business or profession in Finland (Chapter 1, Section 1b). If the financial statements are drawn up under the legislation of an EEA Member State, they must be submitted in line with the deadline set out in that Member State's legislation (Section 17a, Trade Register Act). Where the foreign entity has not drawn up and audited their accounts in line with EU regulations, this must be done in line with the Finnish Accounting Act and Auditing Act.

Trusts

197. Finnish law does not recognise trusts, and Finnish accounting law was amended in 2022 to require foreign trusts and legal arrangements with an effective head office in Finland to retain accounting records in Finland in relation to the business and profession carried on (Accounting Act, Chapter 1, Section 1b).

198. Activity undertaken by Finnish supervisory authorities has not to date identified any foreign trusts, or trustees of foreign trusts, operating in Finland. In 2017, the RSAA reviewed Finland's Business Information System and the FTA conducted a "customer classification" of its taxpayer population to identify possible trust entities, but none were identified. Furthermore, no trustees of foreign trusts have been identified through supervisory campaigns by the RSAA across legal service providers. Professional trustees of foreign trusts would also be identifiable as the AML Act requires them to register with the RSAA, which maintains the register of trust and company service providers, but no such persons have yet been identified.

199. Finland confirmed that the "effective head office" of a trust would be wherever the trustee administers the foreign trust. The requirement under Section 1b is therefore intended to ensure that Finnish professional trustees maintain accounting records of their respective trusts, i.e. in relation to the trust's accounting position. The requirement would not however extend to non-professional trustees whose position to maintain accounting requirements would be more limited. Non-professional but nonetheless remunerated trustees that are not otherwise subject to an obligation to keep accounting records or underlying documentation, must for tax purposes maintain all vouchers concerning income, deductions, assets, liabilities or other information declared on a tax return for a period of six years from the beginning of the year immediately following the end of the tax year (Section 11a, AAP). The purposes of Section 11a AAP is to determine the position of the trustee's income and as such the underlying information maintained would not necessarily ensure the availability of accounting information in respect of the trust itself. The aforementioned activities undertaken by Finland to identify trusts would have only identified professional trustees of foreign trusts, therefore the presence of non-professional trustees in Finland is unclear.

200. Although it may be rare in practice for non-professional trustees of foreign trusts to operate in Finland, Finland should ensure that accounting information is available on all trusts with non-professional trustees resident in Finland (see Annex 1).

Retention period and reporting entities that ceased to exist

201. Accounting records, including financial statements, management report, ledgers, chart of accounts, list of ledgers and material, and underlying documentation, are required to be kept for at least six years from the end of the financial year and, for some documents, for at least ten years from the end of the financial year (Chapter 2, Section 10, Accounting Act) (see sub-Element A.2.2).

202. Where reporting entities (companies, foreign trusts, or other legal persons or arrangements) under the Accounting Act cease to exist (including deregistered companies), the reporting entity or the beneficiary of that entity must make arrangements to ensure the ongoing retention of the accounting material, in line with the six or ten year retention requirements set out under the Act (Chapter 2, Section 10). Persons that fail to do so can be sentenced to a fine for an accounting offence, unless the offence is punishable under the Penal Code or subject to a more severe punishment elsewhere in the law (Chapter 8, Section 4).

203. In practice, some accounting information remains available with the Finnish Tax Administration. Firstly, where persons have submitted their financial statements together with their tax return, the information is stored in the database for a period of 15 years following the end of the year of taxation. Moreover, financial statements submitted to the PRO under the Accounting Act are maintained by the PRO indefinitely. Therefore, even in the case of non-compliance by an entity to ensure the ongoing retention of accounting information after cessation, there remain two further sources of accounting information, albeit this does not include the underlying documentation. Where a company is deregistered by the PRO for failing to provide financial statements, the company can only be reinstated if the company provides financial statements for the previous three financial years. Furthermore, if the deregistered company wishes to undergo liquidation, permitting the distribution of assets over EUR 8 000, the approved liquidator must prepare and file a final set of accounts (Chapter 20, Section 16).

204. The accuracy of accounting records for companies which ceased to exist (including deregistered companies) can still be verified in the same manner as active companies (see Oversight and enforcement of requirements to maintain accounting records), as the FTA has the legal right to audit taxpayers for an unlimited period. In such cases, the FTA would open an audit to obtain the documentation from the location of their retention, as specified by the company to the PRO upon cessation. Although the period of tax adjustments is limited, special circumstances such as new information becoming available can allow the tax administration to seek compensation from the taxpayer in court after the limitation period. In the case of liquidated companies, tax due and a punitive tax increase could be targeted on the

company, with the responsible persons personally liable to these. The FTA could also file a criminal report to the police where an accounting offence is suspected (see paragraph 218). Furthermore, the final financial statements of an inactive company will still have been subject to the same statutory audit requirements in its final active year, helping to ensure the accuracy of the accounting records.

A.2.2. Underlying documentation

205. The Accounting Act requires that all business transactions be accounted for in a manner that allows them to be reviewed in both chronological order and by subject matter (Chapter 2, Section 4). Furthermore, the accounts must be prepared so that they can give an overall picture of the events, financial balance and results of the business activity (Chapter 2, Section 6). Every transaction must be based upon a dated and systematically numbered voucher, or similar, that verifies the transaction. Where there is no such voucher recording the transaction that can be obtained from a third party, the transaction must be based on a voucher prepared and approved by the reporting entity.

206. The underlying documentation that must be maintained to support the financial statements includes all vouchers, ledgers or any other accounting material, and the documentation must be processed and retained so that its contents can be reviewed without difficulty and printed in a clear, written format where necessary (see paragraph 201). Their contents must not be changed or erased after the preparation of the financial statements, nor after the submission of the financial statements to authorities for taxation or any other purposes (Chapter 2). Taxation law also requires that taxpayers maintain all vouchers concerning income, deductions, assets, liabilities or other information declared on a tax return for a period of six years from the beginning of the year immediately following the end of the tax year (Section 11a, AAP) which further ensures the availability of underlying documentation.

Oversight and enforcement of requirements to maintain accounting records

207. The Accounting Act includes various penalties for violations of its requirements. Mainly, persons who fail to make timely accounting entries, substantiate cash payments, retain accounting material, or file financial statements in line with the requirements can be sentenced to a fine (Chapter 8, Section 4). This fine is imposed by the district court in the first instance or by the prosecutors under a penal order procedure. Depending on the gravity of the case, up to 120 daily (unit) fines (see footnote 4 on fines) can be imposed. Major violations of the Act can be punishable under Section 30 of the Penal code as an accounting offence, aggravated accounting offence, or negligent accounting offence, which are subject up to 120 daily (unit) fines or up to four years imprisonment.

208. Although the tax laws do not set out the accounting record keeping requirements, the FTA is the primary authority responsible for ensuring compliance with the Accounting Act, with financial accounts received by the FTA alongside tax return filings: approximately 85% of companies file their tax returns on time and overall there is a 93% compliance rate (recognising that 8% of companies are dormant and not required to file). Requests are sent to 5% of companies annually to obtain more information, and 2% of companies do not file information and are subsequently subject to a dormant taxpayer assessment because they are deemed to be still carrying on business activities. Accounts and accounting records are key sources of information for taxation and tax reporting purposes. As such, incorrect accounting can lead to incorrect tax declarations, constituting an offence under the taxes acts.

209. Furthermore, the PRO supervises the requirement on entities to annually file financial statements. These supervisory activities are supported by the statutory audits from regulated auditors where the requirements under the Auditing Act are met.

Supervision by the tax authority

210. Tax auditing activities are carried out in line with the FTA's strategic Tax Compliance Plan and are guided on the basis of risk. This plan sets out operational objectives from audit and guidance perspectives, and includes an analysis on the major tax risk areas as well as on the business environment within which taxpayers operate. Taxpayers that pose the greatest risks, as identified from both domestically and internationally sourced information, are selected for auditing. Taxpayers may also be selected for audit on a random or ad-hoc basis to help ensure the effectiveness of the plan and estimate Finland's tax gap. All natural and legal persons, including relevant foreign entities, can be subject to auditing activity, and tax audits can be carried out desk-based or on-site.

211. Audits carried out by the FTA are primarily conducted in respect of tax years that have closed and for which financial statements and other accounting records should already be available. Although the records subject to examination will be dependent on the nature of the audit and the identified risk, tax auditors usually review the financial statements provided as part of the tax return and any other bookkeeping material and underlying documentation needed to verify the accuracy of the accounts. Where accounting records are not provided as part of the tax return, they can be requested as part of the audit. This might be the case for partly tax-exempt entities such as associations, foundations, and LLHCs, for which only profit-and-loss and balance sheets must be submitted to the tax authority (see paragraph 193).If no tax return or financial statements have been filed, for example where the taxpayer has been operating within the grey economy, the FTA can estimate the taxable income and impose a punitive tax increase (AAP, Chapter 4, Sections 27 and 32.1).

212. Auditing activities vary in terms of depth and manner of interaction and are categorised as either:

- tax audits (regular audits that can focus on one tax or on multiple taxes with a taxpayer)
- control visits (auditing single task risk), including special audits targeted to tax compliance within the construction sector
- desk tax audits (intended to identify the presence of any tax risk and any need for a full tax audit), or
- referential tax audits (audits performed to collect data for risk-analysis and auditing other taxpayers).

213. Pre-emptive discussions are also undertaken with taxpayers to minimise future tax risks.

214. Where the audit activities are carried out on-site, this can be done at the premises of the reporting entity or at the premises of the accountant, depending on appropriateness of the location. Audits will typically commence with a review of the background information available on the taxpayer. The auditors will also seek to obtain an understanding on how the business has been reflected in the accounts and whether the information in the accounting records has been correctly reported to the FTA. The bookkeeping material and underlying documentation are generally checked to verify the accuracy of the accounting.

215. During 2018-20, the tax administration conducted 12 710 audits on taxpayers with the equivalent of 321 total human years spent on auditing. Since 2018, the total number of auditing activities increased, mainly because the numbers of remote, desk tax audits by the FTA increased. The following table outlines the auditing activities carried out and demonstrates this overall increase.

Total number of tax control measures per year	2018	2019	2020
Tax audits	2 621	2 475	2 057
% of tax audits resulting in assessments, self-corrections or taxpayer guidance	58	62	73
Control visits (incl. special audits on construction sector)	628	690	402
Desk tax audits	n/a	1 125	2 293
Referential tax audits	113	250	56
Total	3 362	4 540	4 808

216. Although the number of tax audits has decreased slightly, there has been an increase in the proportion of tax cases where inaccuracies have been detected and which resulted in an assessment for tax liability, self-corrections, or guidance given to the taxpayer to ensure they provide correct

submissions going forward. This demonstrates the effectiveness of the FTA's Tax Compliance Plan and its intention to target activities to taxpayers where there is greatest risk.

217. Audit activities have been carried out on all types of reporting entities, and the form of auditing activity selected will be based upon the situation and risk, e.g. 38% of desk tax audits carried out between 2018 and 2020 were on general and limited partnerships, whereas these entities were the focus of only 5% of all tax audits. The FTA is also active in carrying out auditing activities on foreign entities, which were the target of 6% of desk tax audits and 4% of tax audits. Companies that are dormant for tax purposes will continue to be subject to the requirement to submit financial statements to the PRO, and the requirement to undergo a statutory audit where the thresholds are met (see paragraph 69) will continue to apply. Dormant companies, and where necessary, companies that cease to exist, may also be subject to tax audits in line with the FTA's risk management and Tax Compliance Plan allowing the accuracy and retention of accounting material to be verified. Risk may in particular be identified if FTA's various information sources suggest any ongoing business operations or payments received by the company. The FTA raised tax assessments on 2% of Finnish companies because they had been dormant but were considered to be carrying on economic activities. A tax return and financial statements submitted to the tax authority would be required by the company to rectify this assessment. Furthermore, the FTA undertook 11 tax audits in 2018, 5 tax audits in 2019, and 7 tax audits in 2020 on dormant companies and a further two tax audits on deregistered companies.

218. If a tax auditor identifies deficiencies in the bookkeeping and accounts, the follow up action taken by the FTA will be dependent on the seriousness of the issue. For minor deficiencies, which typically concern issues of interpretation in respect of the tax treatment of an element and therefore where the tax treatment in the bookkeeping has been done incorrectly for that element, the FTA will provide guidance to the taxpayer to ensure that the taxpayer does not repeat the error in future, and makes an assessment in respect of the taxes due with the possibility of an imposed tax increase. If the accounting material is unavailable or has been determined to be unreliable, the FTA assesses taxes based on an estimation, imposes a tax increase, and can remove the taxpayer from Finland's tax prepayment register. This register acts as a mark of an entity's tax reliability and therefore removal from this list can be both reputationally and commercially damaging, with the entity potentially subject to 13% withholding taxes on payments they receive. Furthermore, in certain cases, the FTA can report misconduct to the police who can conduct an investigation into potential accounting offences under the Accounting Act. Tax auditors who identify criminal activity concerning either tax fraud, which often concerns an accounting offence,

or accounting offences without the presence of tax fraud escalate these cases to the collection unit which is responsible for preparing criminal reports for the police. The FTA also has a close working relationship with the Finnish police authorities on economic crime with 29 FTA officials liaising directly with the police. Between 2018 and 2020, the FTA filed 1 569 crime reports to the police in relation to major deficiencies in bookkeeping, of which 179 cases have received a preliminary judgement, 323 cases are still subject to preliminary investigation and 466 are awaiting a decision on pre-trial investigation. Furthermore, 558 accounting offence reports were filed and over 10 000 falsified receipts amounting in respect of EUR 91m in expenditure were identified. This demonstrates an active effort by the FTA to report serious accounting malpractice to the police that can result in criminal convictions. This should act as an adequate deterrent to non-compliance with the requirements of the Accounting Act.

Supervision by external auditors and the Patent and Registration Office

219. A substantial safeguard, and the first line of defence, to ensuring compliance with the Accounting Act are the requirements that all reporting entities be subject to a statutory audit in respect of their accounts by a regulated auditor where they meet two of the three thresholds set out in the Auditing Act: i) the sum of the balance sheet exceeds EUR 100 000, ii) the turnover or corresponding yield exceeds EUR 200 000, and iii) the entity employs more than three people on average (see paragraph 69). Furthermore, all foundations must be subject to an audit irrespective of the thresholds met.

220. The auditing of financial statements and accounting records is a core element of the auditors' activities (Chapter 3, Section 1). Auditors are subject to supervision by the PRO, which carries out supervisory activities on all statutory auditors on a cyclical basis and at least every six years (see sub-Element A.1.1). The PRO's cyclical basis to monitoring, combined with out-of-cycle reviews based on risk, should provide comprehensive coverage and help to ensure that auditors are correctly verifying the accuracy of accounting information and retention of records in line with the Accounting Act.

221. In addition to its responsibilities in respect of auditors, the PRO is the authority responsible for managing the Trade Register and similar registers, and for deregistering entities. Although the PRO does not verify the accuracy of the financial statements submitted (see paragraph 193), it is active in deregistering entities which have failed to submit their financial statements as required and can do so after one year of non-compliance. Deregistration on these grounds commenced in 2017 with 900 entities deregistered (out of a total of 15 481 deregistrations). Since 2017, deregistrations on the basis of failure to submit financial statements have increased substantially in both

number and in proportion to all deregistrations, with 7 556 deregistrations in 2018, 19 850 in 2019 and 17 554 (out of a total of 19 564) in 2020. Due to the limitations on a deregistered company's undertakings (see paragraph 66), active deregistration by the PRO should act as a substantial safeguard to ensuring the availability of accounting records in Finland. Five years following deregistration, the company is put into liquidation if there are sufficient assets to cover the cost of liquidation, with a competent liquidator appointed by the PRO that must draw up final financial statements to be submitted to the PRO. If information is required post-liquidation, financial statements for the final financial period should also be available with the PRO.

Availability of accounting information in EOIR practice

222. Finland received 50 requests for accounting information during the review period. This predominantly included requests for information in respect of corporate entities, including limited liability companies, but also included a request in respect of a sole trader. No information was requested on corporate entities that ceased to exist. Documents requested have included financial statements as well as underlying accounting records such as invoices, contracts, payment information and salary information. No issues were raised by peers in obtaining such information in practice.

A.3. Banking information

Banking information and beneficial ownership information should be available for all account holders.

223. The 2013 Report concluded that the legal and regulatory framework was in place, all requests for banking information had been answered, and the implementation of the legal framework complied with the standard.

224. The EOI standard was strengthened in 2016 and now requires that beneficial ownership information in respect of account holders be available. Provisions set out in the Act on Preventing Money Laundering and Terrorist Financing (the AML Act) require that beneficial ownership information is maintained, however, the Act provides for an exception for customer fund accounts, meaning that this information will not always be readily available with banks. FIN-FSA is responsible for supervision and enforcement activities in the banking sector.

225. The AML Act updated the definition of beneficial ownership for legal entities and legal arrangements in 2017. However, the legislation introduces limits to the application of the beneficial ownership definition, which can result in a more restricted definition being applied by banks in respect of their account holders, which is not in line with the standard. The definition

of beneficial owner for certain companies and foundations is also not in line with the requirements of the standard. Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all bank accounts, in accordance with the standard.

226. An exception under the AML Act to obtain beneficial ownership information in respect of customer fund accounts means that banks will not always have this information readily available. Finland is recommended to ensure that beneficial ownership information is available in Finland in all cases at all times in respect of bank accounts that are client fund accounts.

227. FIN-FSA has not provided up-to-date guidance since the introduction of the 2017 AML Act and some banks have found implementation of the requirements challenging. Finland is recommended to update its guidance on how to identify beneficial owners so that adequate, accurate and up-to-date information on beneficial owners is always available.

228. Furthermore, few checks have been carried out by the supervisory authority on Finnish banks to ensure banking and beneficial ownership information is available in line with the requirements. In view of the outdated guidance and the scope for improvement in supervision, Finland is recommended to strengthen its supervision to ensure its banks has adequate, accurate and up-to-date beneficial ownership information for their account holders.

229. During the review period, Finland received 19 requests for banking information and was able to provide this information in a timely manner.

230. The conclusions are as follows:

Legal and Regulatory Framework: in place, but certain aspects of the legal implementation of the element need improvement

Deficiencies identified/Underlying factor	Recommendations
The definition of beneficial ownership to be applied by banks in respect of corporate entity customers is not in line with the standard. Natural persons with more than 25% indirect shareholdings, voting rights or the equivalent are not always identified as beneficial owners. Moreover, banks are only required to identify natural persons with effective control through other means to an extent considered appropriate to the money laundering risks of the customer. The beneficial ownership definition applicable to limited liability housing companies, limited liability joint-stock property companies and foundations is limited only to "the members of the board of directors". There are also deficiencies in the requirements on banks to update and verify the beneficial ownership information of customers.	Finland is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all bank accounts, in accordance with the standard.

Deficiencies identified/Underlying factor	Recommendations
The AML Act provides banks with exceptions to the requirement to obtain beneficial ownership information on bank account holders, where these are identified as client fund accounts opened by attorneys.	Finland is recommended to ensure that beneficial ownership information is available in Finland in all cases at all times in respect of bank accounts that are client fund accounts.

Practical Implementation of the Standard: Partially Compliant

Deficiencies identified/Underlying Factor	Recommendations
The Financial Supervisory Authority's AML inspection activities on banks were low in number throughout the review period with only two inspections carried out from over 200 supervised banks. In light of the number of supervised entities, and the new customer due diligence requirements introduced in the AML Act and corresponding challenges, this number is considered insufficient.	Finland is recommended to strengthen its supervision to ensure that adequate, accurate and up-to-date beneficial ownership information for all account holders is maintained by all banks in Finland, in accordance with the standard.

A.3.1. Record-keeping requirements

231. By the end of 2020, there were 205 banks in Finland.

Availability of banking information

232. Banks in Finland are required to maintain all records pertaining to their accounts, including financial and transactional information. These obligations on maintaining account information are derived from Finland's Accounting Act, Accounting Decree and, to a lesser extent, from EU Regulation No. 2015/847 on information accompanying the transfers of funds.

233. The Accounting Act and Accounting Decree apply to "anyone who carries on a business or practices a profession", as well as to all entities

covered under Element A.1. This will in practice cover all banks. The decree sets out the requirement that balance sheets must include a separate item for "funds to be managed separately" (Chapter 1, Section 6). Finland confirms that this reference to funds is intended to include deposits from customers. Beyond this particular requirement, banks must apply the same general accounting principles set out under the Accounting Act and Accounting Decree as for other entities (see Element A.2). Records of funds deposited by customers (and single transactions carried out) form part of a bank's accounting material (sub ledgers) and are therefore subject to the requirement that they be retained for a period of ten years from the end of the accounting period (Accounting Act, Chapter 2, Section 10). Banks must also retain all financial statements, management reports, ledgers and list of ledgers (recognising that banks will maintain separate records or sub ledgers of its customers' funds), charts of accounts, etc., from the end of the financial year for at least six years, where they are not subject to the ten year retention period. In order to ensure the preservation of the relevant accounting documents, should a bank's operations be terminated, or in related scenarios such as a merger, the Act requires the bank to arrange for the ongoing retention of accounting records and to notify the Trade Register of the person entrusted with this retention (Chapter 2, Section 10). Similar to general accounting information retention requirements, this information can be maintained outside of Finland. Failures to put in place this system to ensure retention and its later availability to an auditor or authority can lead to sanctions under the Accounting Act and companies laws (see paragraphs 192-195).

234. EU regulation 2015/847 on information accompanying the transfers of funds has direct effect in Finland and is primarily concerned with addressing illicit financial flows and combating money laundering and terrorist financing. Where not already in place at EU Member State level, the regulation introduces requirements on payers and payees to obtain and report information, where one of the payment service providers involved in the transfer of funds is established in the EU.

235. The Act on Credit Institutions requires all banks to obtain the identity of any person who opens an account with a bank (Section 51). The Act of Credit Institutions also specifically prohibits credit institutions from maintaining anonymous accounts (Chapter 15, Section 18). If the person opening the account is acting on behalf of another party, the requirement on the bank to identify that person is extended as far as this is possible (Section 95). Although the term "as far as possible" would provide scope allowing identity information on the true account holder to not be obtained in all cases, Section 95 is strengthened as it requires banks to refer to the identification requirements set out in the AML Act for the purposes of identifying persons opening bank accounts, as well as to any further orders on identification procedures issued by the supervisory authority, FIN-FSA. As credit institutions

are AML-obliged persons under the AML Act (Chapter 1, Section 4), banks are prohibited from establishing a customer relationship, concluding a transaction or maintaining a business relationship unless they are able to fulfil their CDD obligations. Under the CDD requirements, banks are required to identify the following customer (legal or natural person) information: the name, date of birth, personal identity code, address, personal identity code of any representative for natural persons. Where the customer is a legal person they must also retain the business registration number, date of registration, address of domicile and principle place of business, and if necessary articles of association or organisation rules. Where the customer is a foreign national without a Finnish personal identity code, the AML-obliged person should retain data on the customer's citizenship as well as a travel document.

Beneficial ownership information on account holders

236. The standard was strengthened in 2016 to specifically require that beneficial ownership information be available in respect of all account holders. In Finland, the CDD and customer identification obligations on banks as AML-obliged persons are intended to ensure the availability of beneficial ownership information on account holders.

237. The AML Act requires banks to identify the beneficial owners of their customers and retain their names, dates of birth, personal identity codes, citizenship and details on the ownership and control structures of customers that are not natural persons (not an exhaustive list) (Chapter 3, Section 6). In line with the requirements on other AML-obliged persons, the definition of beneficial ownership applied by banks on corporate entity account holders is determined by applying Subsections 2-4, Chapter 1, Section 5, with Subsection 1, paragraph 3 is to be applied "in a manner appropriate to the risks of money laundering and terrorist financing relating to the customer and to an adequate extent" (see paragraphs 93-97). The discrepancies identified under Element A.1 with regards to the definitions of beneficial owner will therefore also apply to Element A.3, meaning that banks may not always have available beneficial ownership information of account holders in line with the standard. Furthermore, the gaps discussed under Element A.1 with respect to the definitions of beneficial owners of LLHCs, LLJSPCs and foundations, and in the requirements to verify the information obtained and ensure that information held is up to date, will also apply to Element A.3. **Finland should ensure that adequate, accurate and up-to-date beneficial ownership information is available for all bank accounts, in accordance with the standard**.

238. The general rules under the AML Act for introduced business and relying on third parties' CDD also apply to banks (see paragraph 119). There is however an exception under the AML Act to obtaining the beneficial

ownership information of client fund accounts. Client fund accounts include "general pooled accounts" which are accounts where attorneys may pool clients' funds for up to three months, after which point an individual client's funds must be transferred to a "special pooled account" in the name of the client or a party entitled to the assets. Banks maintaining such client fund accounts are required to take note of their special status upon opening and under Chapter 3, Section 6 of the AML Act are exempted from having to identify the beneficial owners, providing the accounts are held by attorneys-at-law or other legal service providers in Finland, another EEA Member State or in a non-EEA state that has equivalent CDD obligations and is subject to supervision. Although, the information must be available to the bank on request, this differs from Finland's practices and the standard on introduced business where the beneficial ownership information must be provided up front and the underlying CDD information available upon request. **Finland is recommended to ensure that beneficial ownership information is available in Finland in all cases at all times in respect of bank accounts that are client fund accounts**.

239. Throughout the review period, FIN-FSA had not provided AML guidance to banks for the purposes of complying with the substantively updated AML Act. Both the supervisory authority and the representatives from banks interviewed during the on-site visit considered FIN-FSA guidance to be taken seriously by banks in practice, including non-binding elements. FIN-FSA intends to update the guidelines in 2022 to reflect the AML Act as amended in 2017, to give further clarity on identifying the beneficial owners including on the application of the definition, and to clarify that the BO register information cannot be used as a means to identify BOs in the course of CDD. Finland should provide sufficient, effective and up-to-date guidance to assist banks with the obligations to identify the beneficial owners of customers in line with the standard (see Annex 1).

240. The AML representative of the banks present during the on-site visit, who was also a senior representative of the banking industry at EU level, demonstrated a good understanding of the requirements in respect of BO information. The representative explained that banks do in practice carry out CDD, and where they are unable to identify the beneficial owners, they do not proceed with the customer relationship. However, the representative also noted that the rules for identifying beneficial owners had posed challenges in interpretation and understanding.

Oversight and enforcement

241. FIN-FSA is responsible for the monitoring and enforcement of banking regulations, including the AML requirements on banks. As a member of the EU banking union, Finland is subject to the EU's Single Supervisory

Mechanism under which its three largest banks are considered significant institutions and therefore also subject to direct banking supervision by the European Central Bank.

242. The Accounting Act empowers FIN-FSA to supervise the accounting requirements on custodial institutions (Chapter 8 Section 1), ensuring that the retention of accurate information in respect of financial accounts and transactions by banks is monitored. In addition to the monitoring activities carried out by FIN-FSA, banks will always be subject to statutory auditing by a regulated auditor as credit institutions are considered public-interest entities under the Accounting Act (Chapter 1, Section 9). As part of these audits, their compliance with the requirements of the Accounting Act and Accounting Decree will also be reviewed.

243. The Accounting Act provides a fine for failures to comply with the requirements in relation to accounting entries and retention of accounting material in accordance with the Act (Chapter 8 Section 4), unless this accounting offence is punishable as an accounting crime under the Penal Code (Chapter 30) and not subject to a more severe punishment elsewhere in law.

244. The AML Act provides FIN-FSA with the powers to impose an administrative fine on AML-obliged persons where they wilfully or negligently fail to comply with their obligations in the Act, including with respect to the retention of records (Chapter 8 Section 1). The size of administrative fine is determined on the basis of an assessment by FIN-FSA that takes into consideration the nature, scope and duration of the conduct. An administrative fine of at least EUR 1 000[17] and up to EUR 100 000 may be imposed by FIN-FSA on legal persons. Additionally, the AML Act allows penalty payments to be applied to any bank that wilfully, negligently, seriously, repeatedly or systematically fails to comply with the AML Act, including for failures to comply with its CDD obligations and to retain the relevant information for five years from the end of the customer relationship (Chapter 8, Section 3). Penalty payments may be applied up to the greater of 10% of the turnover of the bank for the year preceding the act (or failure to act) or EUR 5 million. Penalty payments imposed on natural persons may not amount to more than EUR 5 million.

245. FIN-FSA had a total of 65 staff in its Banking Supervision Department at the end of 2020. In addition to this, there is a dedicated AML division to support communication and outreach, risk assessment, and inspection activities in respect of AML/CFT supervision of all AML-obliged persons within

17. An amendment to the AML Act entered into force on 1 April 2022 and reduced the minimum administrative fine from EUR 5 000 to EUR 1 000 to reflect that some AML-obliged persons have a relatively low turnover.

FIN-FSA's responsibility, including banks. This AML Division increased in size from five staff in 2018 to ten staff in 2020. In order to raise awareness of their AML obligations, FIN-FSA provides communication and training events to its supervised entities. This has included five training events between 2018 and early 2019 to highlight the new provisions and CDD requirements following the amendment to the AML Act. FIN-FSA applies a risk-based approach to supervision, determining the scope and frequency of supervision in line with a risk assessment that has been based upon its general, sectoral and entity-specific risk-assessing activities. FIN-FSA also introduced a risk assessment reporting obligation on its supervised entities, which requires them to report information on their Know-Your-Customer (KYC) activities, such as the percentage of customers whose due diligence information was updated in the reporting year, details on whether their customers' beneficial ownership information has been identified and verified, and details on when third parties have been used to obtained CDD information.

246. FIN-FSA officers carry out inspections in line with the internal process guide. The AML Act empowers FIN-FSA to obtain information from AML-obliged persons without delay and free of charge for the purposes of fulfilling their supervisory functions (Chapter 7 Section 2, AML Act). FIN-FSA began extensively reviewing compliance with the updated AML Act in 2019 and has since focussed its inspections at Finland's largest retail banks. AML/CFT inspections commence with an analysis of the banks' AML documentation off-site, followed by an on-site inspection where FIN-FSA officers review the implementation of AML measures in practice, which includes a review of a sample of beneficial ownership records maintained. On-site inspections at credit institutions can take between 3 and 14 days, with time and resources allocated to the inspections adjusted according to the size of the supervised entity and the scope of the inspection. Where the bank is also subject to direct supervision by the European Central Bank, supervisory activities are done in close co-operation between the two supervisors. However, FIN-FSA remains the competent authority for the purposes of AML/CFT supervision.

247. FIN-FSA was responsible for supervising 234 banks in 2018, which had reduced to 205 by 2020. In the years 2018 to 2021, in addition to the supervisory activities in respect of non-banking supervised entities (see sub-Element A.1.1), FIN-FSA undertook three on-site inspections of banks: two took place in 2019 and one took place in 2021. These were the first inspections to ensure that banks were complying with the new due diligence rules set out in 2017. FIN-FSA noted that as a large number of credit institutions belong to a co-operative financial service group, one inspection may in practice cover several banks. Of the two banks subject to inspection, one was issued a fine for failing to have adequate customer due diligence procedures in place.

248. FIN-FSA has found that the AML challenges encountered by its banks are partly due to legacy challenges and the absence of up-to-date guidelines. Additionally, some banks have found it challenging to meet the new AML requirements due to having outdated systems in place, and smaller banks have been identified as having outdated KYC information on their customers. FIN-FSA also noted that there seems to be a lack of clarity on the role of the BO register and the banks' interaction with it. With an increased team of ten AML staff, who are responsible for all FIN-FSA supervised entities and not only banks, FIN-FSA envisages that five or six officers will be involved in performing inspections and undertaking ongoing supervision activities such as regular meetings with supervised entities. The remainder will be concerned with other AML related activities, including policy and legal activities, banking authorisation and international co-operation. FIN-FSA hopes to be able to carry out up to five on-site inspections in a year.

249. Since 2018, FIN-FSA's AML auditing activities have remained low in number, even considering for the possibility that an inspection may be extensive in its coverage if the bank forms part of a co-operative. The significance of the insufficiency in the number of inspections is underpinned by the challenges already identified in the banking industry from the expanded due diligence activities introduced by the 2017 AML Act. Although FIN-FSA did carry out training events following the amendments, challenges by banks in relation to due diligence and risks of non-compliance could have been further mitigated if updated guidance had been issued. The limited monitoring activities may have been a result of the limited AML team resources at FIN-FSA, and while the AML team has doubled in size to ten officers between 2018 and 2020, the ongoing sufficiency of resource should be considered against the number of supervised entities and the need for monitoring activities in light of the AML compliance challenges already identified as present in Finland. Adequate supervision will be key to ensuring the accuracy of the information held by banks. **Finland is recommended to strengthen its supervision to ensure that adequate, accurate and up-to-date beneficial ownership information for all account holders is maintained by all banks in Finland, in accordance with the standard**.

Availability of banking information in EOI practice

250. Finland received 19 EOI requests for banking information during the review period. These included requests for bank statements and information concerning cryptocurrency trading. One peer noted that not all of the requested onboarding documentation was provided in one case. Finland clarified that the bank did not hold a requested document as it had failed to record and maintain the relevant information at onboarding due to human error, however, other identity information had still been maintained and provided by the bank. No other peers raised issues on obtaining such information in practice.

Part B: Access to information

251. Sections B.1 and B.2 evaluate whether competent authorities have the power to obtain and provide information that is the subject of a request under an EOI arrangement from any person within their territorial jurisdiction who is in possession or control of such information, and whether rights and safeguards are compatible with effective EOI.

B.1. Competent authority's ability to obtain and provide information

Competent authorities should have the power to obtain and provide information that is the subject of a request under an exchange of information arrangement from any person within their territorial jurisdiction who is in possession or control of such information (irrespective of any legal obligation on such person to maintain the secrecy of the information).

252. The 2013 Report found that the Finland competent authority's powers to obtain information for EOI purposes met the requirements of the standard.

253. Access powers under the Act on Assessment Procedure are available to the competent authority and are unchanged since the 2013 Report. In the current review period, Finland received 792 requests for information (ownership, accounting, banking, other) and access powers were successfully exercised by the competent authority when responding to requests. The EOI unit obtained information primarily from third party information holders through application of its access powers but it also has access to various databases that hold readily available information.

254. The 2013 Report found Finland's professional secrecy rights and obligations to be in line with the requirements of the standard. During the course of this assessment, there appeared to be a lack of clarity on the limitations of attorney-client privilege by legal practitioners. Although the Finnish Tax Administration has succeeded in obtaining some information from attorneys in practice and there has not been any undue limitation on Finland's ability to exchange information so far, Finland could encounter challenges in obtaining information from attorneys, including on beneficial ownership information of

client funds that may only be available with the attorneys. A recommendation has been made to clarify the scope of professional privilege for the purpose of the exchange of information in tax matters, to ensure it is consistent with the international standard.

255. The conclusions are as follows:

Legal and Regulatory Framework: in place

Deficiencies identified/ Underlying factor	Recommendations
Although professional secrecy has not impeded Finland from providing information in practice, the scope of attorney-client privilege in tax matters is not clear. Furthermore, it is unclear whether Finland's professional secrecy laws extend to customer funds accounts, which could prevent access to and exchange of beneficial ownership information concerning these accounts.	Finland is recommended to clarify the scope of professional privilege for the purpose of the exchange of information in tax matters, to ensure it is consistent with the international standard.

Practical Implementation of the Standard: Compliant

No issues in the implementation of access powers have been identified that would affect EOIR in practice.

B.1.1. Ownership, identity and banking information

Accessing information generally

256. The Ministry of Finance is the designated competent authority under all of Finland's DTCs, TIEAs, the Multilateral Convention and under the EU directive on administrative co-operation. The Ministry has delegated to the FTA, the power to fulfil EOI arrangements made under the DTCs with the exception of the DTC with Egypt, which does not permit delegation. There have been no requests for information under the DTC with Egypt but Finland has clarified that in such an instance the Ministry of Finance would ask the FTA to collect the information and the Ministry would be responsible for sending the information to Egypt.

257. The 2013 Report analysed the procedures applied to obtain information, including general procedures as well as more specific rules for obtaining bank information: the same rules continue to apply in Finland.

The information access powers available to the tax administration are not specific to its role as the competent authority. These powers are set out under Sections 11, 19, and 20 of the Act on Assessment Procedures (AAP) and are available to all tax officials for both domestic or international tax purposes.

258. Section 11 of the AAP provides the FTA with the power to obtain information directly from a taxpayer:

> On request by the Tax Administration, or by an authority dealing with appeals, it is the taxpayer's obligation to deliver, in addition to the tax return, the information, explanations, including cash receipts on paper, which may be necessary in the assessment of the taxpayer's taxes, or in the processing of an appeal.

259. In practice, the FTA has rarely sought to obtain information directly from the taxpayer using Section 11, doing so in only in less than 1% of EOI requests.[18]

260. Section 19 of the AAP provides the FTA with the power to obtain information held by a third party:

> If prompted by the Tax Administration, all physical and legal persons are concerned by an obligation to report information to the Tax Administration, in reference to a name, a bank account number, a bank transaction number, or a comparable special characteristic, to facilitate the tax assessment of another taxpayer. This information may additionally be necessary for the purpose of appeal processing. This information is to be reported if it can be obtained from the documentation held by the physical or legal person concerned, or if it is known to the person for other reasons, unless special grounds, by definition of law, confer the right to refuse from testifying. However, no refusal is acceptable in the case of information directly affecting tax assessment, and concerning the relevant taxpayer's financial or economic position.

261. Despite the reference to a third party, Finland is able to apply Section 19 to the concerned taxpayer. This is because in the case of exchange of information, Finland considers the information to be requested in the course of the tax proceedings of a taxpayer in another jurisdiction. Finland used Section 19 AAP to obtain information in 93% of EOIR cases, either from the person concerned or from another information holder such as a bank.

18. Finland counts each taxpayer mentioned in a request as a separate request, i.e. if a partner jurisdiction is requesting information about four persons in one request, Finland counts that as four requests.

262. Where the taxpayer (or third party) has the information and the information is requested under Section 19, the third party cannot refuse to provide the information unless the exception concerning the right to refuse testifying on special grounds applies. However, this exception is overridden when the information requested is "information directly affecting tax assessment, and concerning the relevant taxpayer's financial or economic position". A Finnish Supreme Administrative Court judgement in 1996 ruled that the tax assessment and taxpayer's financial or economic position is not limited to Finnish tax purposes (see 2013 Report, paragraphs 190-192).

263. The FTA is also able to require governmental authorities and public corporations to provide information they hold under Section 20 of the AAP.

264. The powers under Sections 11, 19 and 20 of the AAP are separate from Finland's powers to open a tax audit (Section 14 for taxpayers, Section 21 on third parties). Opening an audit offers the FTA a further means to obtain information, but the absence of effective sanctions for obtaining information under a taxpayer audit, where there is no Finnish tax due, means the Finnish authority relies on such tax audits in only 2% of EOIR cases.

265. Finland notes that in practice it encounters no difficulties in the application of its powers under Sections 11, 19 and 20 of the AAP for EOI purposes. In addition to applying its access powers, Finland has direct access to a number of databases, including its own tax database, where it can easily obtain information for the purpose of EOI requests. These are outlined under the relevant sub-elements below. For answering EOI requests during the period under review, the FTA relied mainly on the use of third party information notices (93%) and information already available in its GenTax tax system (5%). In very limited EOI cases (2%), the FTA applies its remaining powers, including a notice to the concerned taxpayer under Section 11 or by opening a tax audit under either Section 14 or Section 21.

Accessing beneficial ownership information

266. The AML Act requires entities to maintain their own beneficial ownership information and also requires AML-obliged persons to maintain beneficial ownership information on their customers. The AML Act does not include specific confidentiality provisions on AML-obliged persons. The Act instead clarifies that the provisions on the processing of personal data set out in the EU General Data Protection Regulations and the Finnish Data Protection Act are applicable. However, the aforementioned powers under Sections 11 and 19 remain applicable and, providing the conditions set out under paragraph 261 are met, can be used to obtain beneficial ownership information from the taxpayer directly (if the taxpayer is the entity), or from a third party such as an AML-obliged person or the entity if the taxpayer in question is a beneficial owner of the entity. The legal basis of using

Section 11 and 19 powers was further clarified when the AAP was amended in 2017 for the purposes of obtaining beneficial ownership information from AML-obliged persons to ensure that Finnish Reporting Financial Institutions were compliant with their Common Reporting Standard obligations. The government proposal providing the context of this amendment specifies that where the information is obtained for single business transactions and when necessary for taxation, then the power under Section 19 will continue to apply.

267. In practice, while Finland did not receive any requests for beneficial ownership information during or since the review period, the FTA considers that the BO register maintained by the PRO (see sub-Element A.1.1) will be the main source of this information for all legal entities and arrangements. The PRO and the FTA have an agreement in place to provide tax administration officials for the competent authority direct access to the register.

Accessing banking information

268. FTA officials can use the same powers to obtain banking information as for other forms of information. Finland's access powers override any banking secrecy provisions in law, and the legal framework is unchanged since the 2013 Report (see paragraphs 185 to 187). One possible limit in respect of accessing banking information concerns customer fund accounts maintained by attorneys and which could be subject to attorney-client privilege. Nevertheless in one instance, Finland has still succeeded in obtaining information in respect of customer fund accounts. These accounts are discussed under sub-Element B.1.5.

269. In order to expedite the obtainment of banking information, Finland has put in place an electronic system with two of Finland's largest banks, where the FTA can contact them directly for information for domestic or international purposes. Through this system, the FTA officer creates an electronic bank account enquiry to request information in the form of an XML message that is sent through the system interface. The requested information is then sent back by the relevant bank and responses are usually received within two working days. This is in contrast to traditional routes for obtaining information where the bank or requested person would typically be given 14 days to provide a response.

270. The banking association's rules on banking secrecy[19] clarify that the tax authority has a right to obtain information for tax purposes including in the context of a request for information for a treaty partner, demonstrating an

19. https://www.finanssiala.fi/wp-content/uploads/2021/06/FFI-Guidelines_on_bank_secrecy_2021.pdf.

understanding of the limits of banking secrecy by industry in practice. Where information is obtained using the electronic system, the FTA does not specify the reason for the request and therefore the domestic or international context of the request will be unknown to these banks. Additionally, where requested by partners, Finland can remove any reference to exchange of information when obtaining information from other banks (see Element C.3). During the on-site visit, it was clear that banks were very familiar with the practice of providing banking information to the FTA, and it was noted that banks in Finland can have large teams to deal with information requests for both domestic and international tax purposes.

B.1.2. Accounting records

271. The powers under sub-Element B.1.1 can be used to obtain accounting records. Nevertheless, in practice, requested accounting records are typically already available to the tax authority through financial statement filings alongside tax returns. The practices to obtain accounting records are unchanged from the 2013 Report (paragraph 184) and during the review period there were no issues in obtaining accounting information for partners.

B.1.3. Use of information gathering measures absent domestic tax interest

272. The concept of "domestic tax interest" describes a situation where a contracting party can only provide information to another contracting party if it has an interest in the requested information for its own tax purposes. The 2013 Report concluded that Finland can obtain all requested information without regards to any domestic tax interest, and this was confirmed in a Supreme Administrative Court decision in 1996 (see paragraphs 190-192 of the 2013 Report). There have been no changes in practice since the last review and no peers have reported any issues in obtaining information where there was no domestic tax interest for Finland.

B.1.4. Effective enforcement provisions to compel the production of information

273. The 2013 Report concluded that Finland had adequate sanctions in place to enforce the production of information. Third parties, which provide the vast majority of information for EOI purposes, can be subject to a fine of up to EUR 15 000 if they fail to comply with the request for information (Section 22a, AAP). While Finland has applied this penalty in practice, it has not been needed in the case of an EOI request.

274. Where information has been requested from a taxpayer under Section 11 of the AAP and this has not been provided, the tax authority can impose a fine of up to EUR 150. If the taxpayer continues to refuse to provide the information, the tax authority can make a request to the police for search and seizure of the information. In general, taxpayers and third parties are requested to provide information within three weeks but this can be extended where justified. The practices are unchanged since the 2013 Report (paragraphs 193-196).

275. Finland considers the available sanctions to be an effective means to enforce the Act in practice. During the period of review, the Finnish Tax Administration did not need to apply penalties in order to obtain the information as this was provided when requested.

B.1.5. Secrecy provisions

Bank secrecy

276. Banking confidentiality requirements are set out under the Act on Credit Institutions. Confidentiality obligations require any person who, in their capacity within a credit institution and in the performance of their duties, obtains information on the financial position of a customer to keep the information confidential (Section 94). This requirement is however limited under the same section of the Act which makes custodial institutions liable to disclose the information to an authority entitled to the information. As such, the tax authority is able to apply the relevant third party information powers under the AAP. These limitations on banking secrecy are also reflected within the banking association's own guidance[20] and the obligation to provide banking information was clearly demonstrated by banking representatives during the on-site visit and from the 19 requests for banking information where Finland was able to provide information in all cases.

277. There have been no cases in the period under review where bank secrecy was an impediment to obtaining the information for EOI purposes.

Professional secrecy

278. Finland notes that Section 19 is a well-established information power that has been in place since 1950. However, since its introduction, individual rights and safeguards have been strengthened elsewhere in law. An area of uncertainty that emerged during the assessment was the interaction of access powers under the AAP and the professional secrecy safeguards afforded to lawyers under the Advocates Act and the Code on Judicial Procedure.

20. https://www.finanssiala.fi/en/publications/guidelines-on-bank-secrecy-2021/.

279. Section 19 of the AAP requires third parties to provide the FTA with information when requested to facilitate the tax assessment of another taxpayer. Section 19 limits this power where the person is conferred a right under law to refuse to testify on special grounds. Nevertheless, even this exception on special grounds is overridden by Section 19 where the request concerns "information directly affecting tax assessment, and concerning the relevant taxpayer's financial or economic position".

280. Professional secrecy safeguards are afforded under Section 5c of the Advocates Act to any advocate registered in the Roll of Advocates as a member of the general Finnish Bar Association, and their assistants:

> An advocate or his assistant shall not, without due permission, disclose the secrets of an individual or family or business or professional secrets which have come to his knowledge in the course of his professional activity.
>
> Breach of the obligation of confidentiality provided for under paragraph 1 above shall be punishable in accordance with Chapter 38, Section 1 or 2, of the Penal Code, unless the law otherwise provides for more severe punishment for the act.

281. Section 5c is extended to all licensed legal counsels by Section 8 of the Act on Licensed Legal Counsels (715/2011). Both sections are reinforced by the Code on Judicial Procedure (Chapter 17), which sets out that attorneys and counsels may not give evidence in a court procedure in respect of information entrusted to them by their clients.

282. The 2013 Report reviewed the interaction of the AAP and the Advocates Act. It recognised that the Finnish parliament had itself concluded that the tax authority's access powers do not override the prohibition for an attorney or counsel to give evidence in a case concerning the taxpayer's economic affairs.[21] At the time of the 2013 review, the Finnish authorities confirmed that the secrecy duty under Section 5c was applicable only to information entrusted to the attorney for the purposes of a pending or forthcoming case and in the context of seeking or obtaining legal advice, and the Ministry of Finance and the FTA's view on this remains unchanged. This interpretation can be seen as consistent with the aforementioned scope of the

21. This was based on considerations by the Finance Committee of the Finnish Parliament on the Government Proposal on the AAP (1558/1995). The Committee noted that Section 19 was equivalent to Section 47 of the previous act (1024/1974) and that the obligation to provide information would therefore not apply to information related to an attorney's clients in line with Chapter 17 Section 23 of the Finnish Code of Judicial Procedure which refers to "what the client has entrusted to [an attorney or counsel] for the pursuit of the case".

legal privilege to "professional activities" and "judicial duties". Finland also confirmed that legal privilege was not so wide as to restrict access to information in the case where a lawyer acts as a nominee shareholder, a trustee, a company director or under the power of attorney to represent a company in its business affairs. The 2013 Report therefore concluded that the scope of professional privilege was not excessively restrictive and was therefore in line with the standard (see paragraphs 202-205 of the 2013 Report).

283. The updated standard requires that beneficial ownership information be available on legal persons and arrangements. As outlined under sub-Element A.1.1, lawyers, advocates and attorneys are AML-obliged persons under the Finnish AML Act and must therefore carry out CDD in respect of their customers. Based on the understanding of the 2013 Report, it would be expected that the FTA is also able to obtain beneficial ownership information from these professionals when requested.

284. During the 2021 on-site visit, such a clear limitation on professional privilege was not reflected in discussions with the Bar Association, which was firmly of the view that all attorney material is covered by professional secrecy and cannot be provided in cases where information powers are used by the tax authorities. It recognised that there are some limits to legal privilege, such as where the attorney is responsible for registering or administering a client's company. In this case, the privilege will not prevent the attorney from providing documents such as accounting records, shareholder registers, or beneficial ownership information to the authorities where required under law, including the PRO and the tax authority. However, this appears to be in the context of requirements of the AML Act and the Bar Association did not give assurances that they considered attorney-client privilege compatible with the application of the FTA's information access powers in situations outlined in the Commentary on Article 26(3) of the Model Tax Convention, namely that the protection afforded does not apply to documents or records delivered to an attorney, solicitor or admitted legal representative in an attempt to protect such records from disclosure by law, that it does not extend to information concerning the identity of a person, and that information included in communication with clients is only treated as confidential in their capacity as attorneys, solicitors or other legal representative and not in a different capacity. The Bar Association also noted that Finland had actually strengthened its attorney-client privilege in recent years, with an amendment to the Code on Judicial Procedure (Chapter 17) in 2014, which extended this privilege beyond information concerned only in legal proceedings to include information obtained in the performance of a lawyer's judicial duties when giving legal advice in other matters (Subsection 1, Section 23). The scope was expanded to prevent lawyers from testifying a private or family secret or business secret of which he or she has become aware in the course of his or her duties other than those referred to in Subsection 3. Recent parliamentary

discussions appear to support the Bar Association's view on the potential limitation of the FTA's information access powers in the framework of the work of the Constitutional Law Committee of the Finnish Parliament in 2019 on the extent of attorney client privilege and the reporting of information to the tax authority for onward exchange in the implementation of the Act on Reportable Taxation Arrangements. The Committee deemed that the requirement on intermediaries, who are bound by the obligation of professional secrecy, to provide information would be problematic from the perspective of fundamental human rights standards.

285. The view of the Bar Association is at odds with that of the FTA and Ministry of Finance. Although the FTA and Ministry of Finance recognise that the law could be clearer and that these limitations on attorney-client privilege vis-à-vis the tax authority have not been tested in Finnish courts, they consider that section 19 AAP can be used to obtain information for tax purposes from attorneys in line with the limitations on professional secrecy in the Commentary to Article 26(3). The FTA and Ministry of Finance believe that Finnish courts would interpret the limits of attorney-client privilege in line with the Commentary due to Finland's EOI treaty implementing legislation being considered *lex specialis*, which supersedes any other conflicting domestic law. Therefore, they consider that national law would not be able to prevent the FTA from obtaining information requested by treaty partner, providing the request is in line with the Commentary on Article 26. The FTA also noted that they have successfully used Section 19 to obtain information from an attorney in one EOI case.

286. The absence of clarity on the limitations of attorney-client privilege extends to client fund accounts. Client funds are assets that a client has entrusted to its attorney "for remittance to a third party or for use in some other way" (Finnish Bar Association guidelines, last amended 20 January 2022). The guidelines refer to examples such as decedent's estates or bankruptcy estates but there is no restriction on the circumstances permitting this assignment of assets. Banks maintaining such accounts are required to take note of their special status upon opening, and the Bar Association considers that neither the bank nor the attorney can be obliged to provide information in respect of these accounts to the tax authority when requested. Although there is no statutory or judicial clarity in respect of obtaining information on client fund accounts by the tax authority, the special status of these accounts was recognised by the Finance Committee of the Finnish Parliament when considering the implementation of EU Directive (2019/1153) on access to central bank registers, for the purpose of tackling money laundering. The Finance Committee expressed the view that such accounts should be excluded from any system, taking into account the "special status of lawyers and the fundamental right of lawyers to professional secrecy".

287. The FTA considers that even if attorney-client privilege extended to information held by the attorney on these accounts, it would not extend to information held by the bank, noting that the FTA has in the past successfully obtained information from banks on client fund accounts. In the scenario that information can only be obtained from banks, Finland could still encounter practical limitations on accessing beneficial ownership information for an EOI request. This is because the AML Act exempts banks from obtaining beneficial ownership information on the holders of such accounts (see paragraph 237), providing that this information can later be made available to the bank by the attorney, on request. The attorney-at-law can be resident in Finland, an EEA Member State or any other jurisdiction with equivalent AML obligations and supervision. In such cases, not only would the information not be immediately available with the bank, but the bank may encounter difficulties seeking to obtain the information from the attorney in the context of an information request, and further difficulties may arise in practice where the attorney and the beneficial ownership information are not in Finland.

288. Although Finland has successfully provided information to partners obtained from attorneys, and recognising that attorneys are typically used only as an information source of last resort, some information may only be available with an attorney, including beneficial ownership information in respect of client fund accounts. **Finland is recommended to clarify the scope of professional privilege for the purpose of the exchange of information in tax matters, to ensure it is consistent with the international standard**.

B.2. Notification requirements, rights and safeguards

The rights and safeguards (e.g. notification, appeal rights) that apply to persons in the requested jurisdiction should be compatible with effective exchange of information.

289. The 2013 Report found that there were no issues regarding prior notification requirements or appeal rights. The legal and regulatory framework was determined to be in place and Finland was rated Compliant. There have been no relevant changes in the applicable rules, and the situation as assessed for the current review remains the same.

290. The peer input from the current review confirms that there have not been any cases where rights and safeguards that apply to a person in Finland unduly prevented or delayed effective exchange of information.

291. The conclusions are as follows:

Legal and Regulatory Framework: in place

The rights and safeguards that apply to persons in Finland are compatible with effective exchange of information.

Practical Implementation of the Standard: Compliant

The application of the rights and safeguards in Finland is compatible with effective exchange of information.

B.2.1. Rights and safeguards should not unduly prevent or delay effective exchange of information

Notification and appeal rights

292. When Finland receives a request for information, and uses its access powers to obtain this information, either when using its powers under the AAP directly to request information or when obtaining information from databases it has access to, there is no obligation to notify the taxpayer of the request, neither prior to nor after sending the requested information to the requesting jurisdiction.

293. When a request for information is made to a third party, the FTA must clearly specify what information is requested from the holder and the legal basis for doing so. The FTA always provides the relevant legal references in relation to the request itself, i.e. the relevant provision under the AAP, but also provides reference to the tax provision under which the information will be used. As such, when information is obtained for EOI purposes, the relevant exchange provisions are included in the notice to the information holder. Furthermore, the information notice also states routinely that the information is sought for exchange of information purposes and the name of the requesting jurisdiction is stated (see Element C.3). References to the exchange of information are not included in electronic requests using the electronic system put in place with two of Finland's largest banks, in light of the agreement in place with them. Finland considers that its domestic law permits the removal of references to an EOI request if the partner asks for this, to prevent prejudicing their investigation, and Finland clearly demonstrated a willingness to adapt to the requirements of its partners.

294. Finnish law gives information holders the right to appeal a request for information to an administrative court and subsequently to the Finland's Supreme Administrative Court where a request is granted. While such appeals rights have historically been exercised (see paragraph 211 of the 2013

Report) in all cases where the exchange was reviewed by a court, the appeal was not upheld and the exchanges were able to proceed.

295. Finland regularly obtains information from the taxpayer directly for its EOI requests, albeit through the application of a third party information power (see paragraph 261) and in such cases the appeal rights would extend to the taxpayer as the information holder. The information provided is similar to that when requesting information from third party information holders, and no other information concerning the EOI request, such as any information on the foreseeable relevance provided by the Competent Authority, is made available to the taxpayer. Even where a taxpayer asks for relevant information concerning the EOI request to be made available, the rights of the taxpayer to obtain information concerning themselves are restricted under Finland's treaty implementing legislation, which is considered *lex specialis*. As such, Finland considers that the requirements of the treaty and its related commentaries, which are directly applicable, would take precedence over conflicting domestic legislation.

296. The provisions of Finland's legal framework on notification and appeal rights are therefore compatible with the effective exchange of information and the Finnish authorities clarified that during the period under review there was no case where EOI requests for information were challenged or appealed.

Part C: Exchange of information

297. Sections C.1 to C.5 evaluate the effectiveness of Finland's network of EOI mechanisms – whether these EOI mechanisms provide for exchange of the right scope of information, cover all Finland's relevant partners, whether there were adequate provisions to ensure the confidentiality of information received, whether Finland's network of EOI mechanisms respects the rights and safeguards of taxpayers and whether Finland can provide the information requested in an effective manner.

C.1. Exchange of information mechanisms

Exchange of information mechanisms should provide for effective exchange of information.

298. At the time of the 2013 Report, Finland's network of EOI mechanisms comprised 71 DTCs and 39 TIEAs and Finland was already a party to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (Multilateral Convention) and the Nordic Multilateral Convention on Mutual Administrative Assistance In Tax Matters (the Nordic Convention). In addition, Finland is able to exchange information with EU Member States through the EU Directive on Administrative Cooperation (EU DAC). Most of these agreements met the standard and therefore Element C.1 was rated as Compliant.

299. Since 2013, Finland has increased its treaty network further as more jurisdictions have become parties to the Multilateral Convention, or where DTCs were put in place or updated. Finland now has 155 EOI relationships, of which 148 are in force. Finland's expansion of its treaty network through the Multilateral Convention has brought almost all of its EOI relationships in line with the standard.

300. Where more than one exchange of information arrangement is available, Finland and its partners are able to choose the most appropriate agreement under which to exchange the information and there are no domestic rules limiting this. DTCs with wording, which has not been updated to

meet the requirements of the international standard, are seldom used in practice with information more commonly exchanged under the Multilateral Convention or the EU DAC.

301. Finland's interpretation of "foreseeable relevance" is found to be in line with the standard. The EOIR standard now includes a reference to group requests. Finland is in a position to provide responses to group requests where they meet the standard of foreseeable relevance and this has been demonstrated as Finland was able to provide the requested information for all three group requests that it received in the three years under review.

302. The conclusions are as follows:

Legal and Regulatory Framework: in place

No material deficiencies have been identified in the EOI mechanisms of Finland.

Practical Implementation of the Standard: Compliant

No issues have been identified that would affect EOIR in practice.

Other forms of exchange of information

303. In addition to exchanging information on request, Finland spontaneously and automatically exchanges a wide range of information with treaty partners under the EU Council Directive 2011/16/EU of 15 February 2011 on administrative co-operation in the field of taxation (as amended) (hereafter EU Directive) and the Nordic Convention, including but not limited to employment income, pensions, directors' fees, tax rulings and financial account information. Finland has automatically exchanged financial account information since 2017 with all of the Global Forum members that have signed the Common Reporting Standard (CRS) Multilateral Competent Authority Agreement (MCAA). Furthermore, Finland has exchanged financial account information with the United States under the Finland-United States Foreign Account Tax Compliance Act (FATCA) Inter Governmental Agreement since 2015, and Finland exchanges information on tax rulings and Country-by-Country Reports with partners in line with Actions 5 and 13 of the Action Plan on Base Erosion and Profit Shifting (BEPS). Finland has particularly close EOI co-operation with Estonia, especially in respect to cross-border workers and the construction industry, and most recently, Finland commenced real time exchanges of information between tax databases with Estonia.

C.1.1. Standard of foreseeable relevance

304. Exchange of information mechanisms should allow for exchange of information on request where it is foreseeably relevant to the administration and the enforcement of the domestic taxes of the requesting jurisdiction. The 2013 Report found that all agreements entered into by Finland for the purposes of exchanging information on request complied with the standard.

305. Since 2013, a number of Finland's bilateral partners have become party to the Multilateral Convention and new DTCs have been entered into with Hong Kong (China) and Turkmenistan. Finland also renewed existing DTCs with Germany, Spain and Sri Lanka, and amendments were made to the existing DTC with Uzbekistan. These changes ensured all these mechanisms are in alignment with the current Article 26 on exchange of information of the OECD Model Tax Convention. Finland's older DTCs that have not been updated have generally used the term "as is necessary" or "as is relevant" which is considered to be in line with the term "foreseeably relevant" under the Commentary to Article 26, and so applied by the Finnish competent authority.

Clarifications and foreseeable relevance in practice

306. In practice, Finland generally interprets and applies the provisions of its EOI instruments in line with the requirements of the standard and the Finnish EOI unit's process manual for competent officials[22] directs the relevant official to Article 5(5) of the Model Convention and clarifies that they comply with the requirements sent out therein. The on-site visit demonstrated that EOI officials are familiar with the foreseeable relevance criteria and would furnish information where the criteria are met or request further clarification if necessary. Between 2018 and 2020, Finland sent 10 requests for clarification to its partners. In 2018, this included clarification in respect of a bulk request concerning 368 taxpayers in order to define in detail the tax information that was being requested and to ensure Finland selected the correct source of information. Finland also sent three requests for clarification to another peer in order to obtain additional information on the foreseeable relevance of the information requested, after which it was established that the information was obtainable in that jurisdiction, leading to a withdrawal of the request. Other requests for clarification were made to verify the exchange of information competence of the requesting official, and to obtain further information on the concerned bank account and taxpayer.

22. Finnish Tax Administration officials involved in the EOI are referred to as competent officials in Finland.

307. In the current review period, no requests for information were ultimately refused on the basis of foreseeable relevance.

Group requests

308. None of Finland's exchange agreements exclude the possibility to exchange information pursuant to a group request, and Finland confirms that it applies the latest OECD commentary on Article 26 to all existing treaties.[23]

309. During the review period, Finland received three group requests and provided the requested information within 90 days.

C.1.2. Provide for exchange of information in respect of all persons

310. The 2013 Report noted that 16 of Finland's DTCs included terminology that limited the scope of exchange of information to persons covered by the convention, i.e. persons tax resident in the requesting or requested country. Since 2016, all but 3[24] of the 16 concerned jurisdictions have either renegotiated their treaties with Finland, exchange with Finland under the EU DAC or have become a party to the Multilateral Convention.

311. Although the issue has not arisen in practice, Finland would not be able to furnish information concerning persons who are not tax resident in either the requesting or requested jurisdiction under these three treaties. Recognising that Finland has been active in renegotiating its treaties, Finland is encouraged to continue its efforts to monitor the effectiveness of the exchange of information with its treaty partners and if necessary renegotiate older DTCs (see Annex 1).

C.1.3. Obligation to exchange all types of information

312. The 2013 Report did not identify any issues with Finland's network of agreements in terms of ensuring that all types of information could be exchanged.

313. The Report noted that where older DTCs do not include provisions in line with paragraph 5 of Article 26, there were no limitations in Finland's domestic laws with respect to accessing information held by banks, nominees,

23. In line with paragraph 5.2 of the Commentary to Article 26 of the OECD Model Tax Convention.

24. Egypt, Kosovo and Tanzania. The designation Kosovo is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

and ownership and identity information. There may however be domestic limitations in some of Finland's treaty partners. Finland was encouraged to continue its efforts to monitor the effectiveness of the exchange of information with its treaty partners and if necessary renegotiate older DTCs. Since the 2013 Report, Finland has updated and renewed a number of its DTCs, and its treaty network has been substantially updated as a result of many more treaty partners becoming party to the Multilateral Convention (see Element C.1.1). Finland prioritises treaty negotiations on its considerations of risk and therefore did not seek renegotiation in respect of all older treaties. Seven[25] old treaties remain which are not supplemented by a multilateral or regional mechanism in line with the standard. Therefore, the recommendation continues to apply (see Annex 1).

C.1.4. Absence of domestic tax interest

314. A contracting state may not decline to supply information solely because it does not have an interest in obtaining the information for its own tax purposes.

315. There are no restrictions in Finland's domestic law in relation to obtaining information on foreign persons where there is no domestic tax interest and the ability to do so was confirmed in a Supreme Administrative Court decision in 1996 (see 2013 Report, paragraphs 190-192). Furthermore, Finland's peers did not highlight issues with the exchange of information because there was no domestic tax interest. Recognising that some of the DTCs that Finland had in place at the time of the 2013 Report did not incorporate provisions akin to paragraph 4 of Article 26, Finland was encouraged to continue its efforts to monitor the effectiveness of the exchange of information with its treaty partners and if necessary renegotiate older treaties. Since the 2013 Report, Finland has updated and renewed a number of its DTCs, and its treaty network has been substantially updated as a result of many more treaty partners becoming parties to the Multilateral Convention (see Element C.1.1). However, seven such older treaties exist, which are not supplemented by a multilateral or regional mechanism in line with the standard (see footnote 25). Therefore, the recommendation continues to apply (see Annex 1).

25. Egypt, Kosovo, Kyrgyzstan, Philippines, Tanzania, Viet Nam and Zambia.

C.1.5. and C.1.6. Civil and criminal tax matters

316. Finland's network of agreements provides for exchange in both civil and criminal matters and there are no EOI agreements that contain a dual criminality requirement. In practice, Finland has provided information in both civil and criminal tax matters in the review period.

C.1.7. Provide information in specific form requested

317. There are no restrictions in Finland's domestic law or in its DTCs that would prevent it from providing information in a specific form as long as this is consistent with its own administrative practices. In practice, although it has not received such requests, Finland would seek to provide the information in the form requested by its exchange partner and its manual does not prescribe any particular formats for the exchange of information unless there is an agreed format with a particular partner or group of partners, such as within the EU using e-forms.

C.1.8. and C.1.9. Signed agreements should be in force and be given effect through domestic law

318. The 2013 Report noted that Finland already had an extensive EOI network in place and since 2013 Finland has expanded this further, covering 155 partners. At the end of the 2013 review, Finland had signed nine[26] TIEAs and five[27] DTCs or DTC Protocols which had not entered into force. All except the TIEA with Guatemala are now in force, for which Finland has finalised all necessary domestic procedures and awaits corresponding notification of its entry into force. Guatemala is now also a party to the Multilateral Convention.

319. Out of 112 EOI bilateral exchange mechanisms,[28] 102 are complemented by the Multilateral Convention. Nine DTCs are with jurisdictions that are not parties to the Multilateral Convention, i.e. Belarus, Egypt, Kosovo, Kyrgyzstan, Sri Lanka, Tanzania, Turkmenistan, Viet Nam and Zambia, and six of these DTCs are not in line with the standard, i.e. Egypt, Kosovo, Kyrgyzstan, Tanzania, Viet Nam and Zambia. Furthermore, Finland has one bilateral exchange mechanism (with the Philippines) that is not in

26. Belize, Brunei Darussalam, Costa Rica, Dominica, Guatemala, Jamaica, Liberia, Panama and Samoa.
27. Barbados, Belgium, Switzerland, Cyprus and Tajikistan.
28. The United Arab Emirates which has a DTC and a TIEA in force with Finland is included only once in this figure. Curaçao is also included in this figure but not the Caribbean part of the Netherlands which is a part of the Netherlands jurisdiction.

line with the standard, but where the exchange partner is signatory to the Multilateral Convention, albeit that this has not yet entered into force. The missing safeguards (paragraphs 4 and 5 of the Model Convention) of these seven DTCs (see footnote 25) have been discussed in sections C.1.3 and C.1.4. Finland should continue its efforts to monitor the effectiveness of the exchange of information with its treaty partners and if necessary renegotiate older DTCs (see Annex 1).

320. Finland has in place the legal and regulatory framework to give effect to its EOI mechanisms. No issues arose in practice during the review period.

EOI mechanisms

Total EOI relationships, including bilateral and multilateral or regional mechanisms	155
In force	148
In line with the standard	140
Not in line with the standard	8
Signed but not in force	7
In line with the standard	7
Not in line with the standard	0
Total bilateral EOI relationships not supplemented with multilateral or regional mechanisms	10
In force	10
In line with the standard	3
Not in line with the standard	7 (Egypt, Kosovo, Kyrgyzstan, Philippines, Tanzania, Viet Nam and Zambia)
Signed but not in force	0

C.2. Exchange of information mechanisms with all relevant partners

The jurisdiction's network of information exchange should cover all relevant partners, meaning those jurisdictions who are interested in entering into an information exchange arrangement.

321. Finland has a large treaty network in force with 148 jurisdictions, allowing the exchange of information to take place (i.e. an EOI mechanism is in force), covering all regional partners, EU Member States, its neighbouring countries, and its main trading partners.

322. Finland's EOI network, including jurisdictions where agreements have been signed but have not yet entered into force, covers 155 jurisdictions and since the 2013 Report, Finland continued to expand its bilateral EOI network, entering into and updating DTCs with Germany, Hong Kong (China), Spain, Sri Lanka, Turkmenistan and Uzbekistan.

323. Comments were sought from Global Forum members in the preparation of this report and no jurisdiction indicated that Finland refused to negotiate or sign an EOI instrument with it. As the standard ultimately requires that jurisdictions establish an EOI relationship up to the standard with all partners who are interested in entering into such relationship, Finland should continue to conclude EOI agreements with any new relevant partner who would so require (see Annex 1).

324. The conclusions are as follows:

Legal and Regulatory Framework: in place

The network of information exchange mechanisms of Finland covers all relevant partners.

Practical Implementation of the Standard: Compliant

The network of information exchange mechanisms of Finland covers all relevant partners.

C.3. Confidentiality

The jurisdiction's information exchange mechanisms should have adequate provisions to ensure the confidentiality of information received.

325. The 2013 Report concluded that all of Finland's EOI agreements had provisions to ensure confidentiality of the information exchanged and that Finland had general confidentiality provisions in domestic tax legislation. There have been no relevant changes in Finland's legal framework since the last review. Furthermore, all EOI instruments entered into since then include the appropriate confidentiality provisions.

326. The conclusions are as follows:

Legal and Regulatory Framework: in place

No material deficiencies have been identified in the EOI mechanisms and legislation of Finland concerning confidentiality.

Practical Implementation of the Standard: Compliant

Deficiencies identified/ Underlying factor	Recommendations
The disclosure to information holders of the jurisdiction that has made the relevant EOI request, where this is not necessary for gathering the requested information, is not in accordance with the Standard. During the review period, Finland did not inform its EOI partners that they can ask for an exception to mention the EOI nature or the name of the jurisdiction in the notice issued to information holders.	Finland should ensure that information holders are only provided details necessary to obtain the requested information.

C.3.1. Information received: disclosure, use and safeguards

327. The 2013 Report concluded that all of Finland's EOI agreements had provisions to ensure the confidentiality of the exchanged information, and the EOI instruments entered into by Finland since the last review all include confidentiality provisions consistent with the international standard.

328. Finland's domestic provisions in respect of the confidential handling of information received are unchanged since the last review. Section 4 of the Act on Public Disclosure and Confidentiality of Tax Information requires that all documents concerning the taxpayer's financial status and any other tax documents allowing for the identification of a taxpayer be kept confidential. This Act is supplemented by Finland's Penal Code (Chapter 38, Section 1 and Chapter 40 Section 5) which sanctions breaches of official secrecy with a fine (see footnote 4) or imprisonment of up to two years, or dismissal of the official. These confidentiality obligations continue to apply after the official has ceased to be employed. Exceptions to confidentiality exist to the benefit of other public authorities. However, any other requirements under domestic legislation that would result in access to the exchanged information not foreseen under the treaties would be superseded by Finland's legislation to implement exchange of information treaties. Finnish treaty implementation legislation is considered *lex specialis* and therefore takes precedence over any other ordinary statutory law in the case of inconsistencies.

329. The Terms of Reference, as amended in 2016, clarified that although it remains the rule that information exchanged cannot be used for purposes other than tax purposes, an exception applies where the underlying EOI instrument permits the use of information for purposes other than tax

purposes, this use is permissible under the laws of both jurisdictions, and the authority supplying the information authorises such use. Finland has processes to prepare requests for such extended permissions and processes to handle requests from partner jurisdictions. In the period under review, Finland reported that there have been around 10 to 20 requests each year when the requesting partner sought Finland's consent to utilise the information for non-tax purposes and that this has been granted in all cases. Finland is also active in requesting from partners permission to use information received for non-tax purposes in a similar number of cases.

330. In terms of outgoing requests for information, the Finnish taxpayers have the right to receive all documents that have impacted their tax assessment. Therefore, where information has been received from an exchange partner in respect of a taxpayer, that taxpayer has the right to view this information upon request although certain information, such as information in relation to the partner Competent Authority and communications concerning the exchange, would not be provided. The taxpayer would not be notified that the exchange has taken place or that information has been received on them. Therefore in practice the taxpayer may only become aware of the request when an assessment is raised.

331. For inbound requests, Finland does not inform the taxpayer of the request. However, the notice sent to information holders to obtain the information includes the relevant legal provisions in relation to the information notice, i.e. the relevant power applied under the AAP to obtain the information, but also provisions relevant to the subsequent use of information. The information notice would refer to the relevant exchange treaty that the information would be exchanged under. It is also explicitly mentioned that the information is being obtained for an EOI request, with the relevant jurisdiction also named. Finland considers the inclusion of this information necessary for the exercise of its powers under both the FTA's established organisational practices but also under the Act on Openness of Government Activities, which requires affected parties to be notified of government decisions affecting them (Section 44). Finland is also subject to the European Court of Justice ruling on C-437-19, which ruled that in order for persons to be able to adequately seek redress via judicial review processes, "information orders must be duly reasoned". Where the FTA seeks to obtain information to ensure tax compliance domestically, information notices begin by stating that the information is being obtained for tax purposes. Although such notices do not specifically mention that this is for Finnish tax purposes, Finland considers this to be implied. The information notices also include a reference to the relevant taxes acts (e.g. Act on the procedure for the taxation of self-assessed taxes).

332. There are parallels between the reference to the relevant treaty for EOI purposes and the reference to the relevant tax act for domestic usage purposes. However, the inclusion of the name of the requesting jurisdiction, where this is not referenced in the exchange treaty, appears to go beyond what is necessary to obtain information. Finland confirmed that as the EOI treaty implementing legislation is considered *lex specialis*, they can remove any reference to exchange of information in the information notice, including the name of the requesting jurisdiction, should a partner request this, and Finland has demonstrated a clear willingness to obtain and send information in the manner requested by its partners. However, the burden of ensuring confidentiality should not be placed on the requesting jurisdiction, and although Finland provides the requesting jurisdiction with the option to remove any reference to EOI, partners would not necessarily have been aware of Finland's practice during the period of 2018-20 and known that such a request might be needed. **Finland is recommended to ensure that information holders are only provided details of the EOI request to the extent necessary to obtain requested information.**

333. Where Finland obtains the information from another source or third party, the taxpayer receives no notification. Restrictions on the taxpayer's right to view requests for information from a treaty partner are set out in paragraph 295.

C.3.2. Confidentiality of other information

334. Confidentiality rules should apply to all types of information exchanged, including information provided by a requesting jurisdiction in a request, information transmitted in response to a request and any background documents to such requests. The confidentiality provisions in Finland's domestic law do not draw a distinction between information received in response to requests or the request itself and therefore meet the standard.

Confidentiality in practice

335. Finland has a number of practical arrangements in place to safeguard the confidentiality of the data exchanged through an EOI request. Both requests for information, and information received from partners following a request by Finland, are mostly sent electronically, such as by secure email. Where information has been received by post, Finland has in place processes to ensure that this information is securely handled and stored in a locked safe until it has been scanned for electronic storage, at which point the paper documents are securely destroyed. These processes are set out in the process manual for competent officials alongside tax administration-wide information security policies.

336. Once information has been scanned, the EOI unit stamps all electronic documents with a clear disclaimer that the information has been obtained under the provisions of an EOI instrument and that its use and disclosure are governed by special provisions. When the information is disseminated to tax officials, in the form of an audit report prepared by the EOI unit, these restrictions are reiterated and it is explained that the provisions laid down in the applicable agreements must be complied with.

337. After initial upload to an EOI database, where access is only available to EOI competent officials for processing, inbound EOI information (including the disclaimer) is then stored as an attachment on the FTA's integrated tax software, GenTax, which is used to manage all forms of taxation. All information in GenTax is considered confidential irrespective of whether it is obtained domestically or internationally. Access to GenTax is granted to officials within the tax administration and all tax officials' access rights to the system are required to be reviewed by their supervisor every six months.

338. Access to taxpayer information is not restricted per individual GenTax user at a technical level (e.g. by way of logical access control to the GenTax IT system). This reflects that the FTA wants to ensure that any tax official dealing with the tax matters of a particular taxpayer are able to get a complete picture of the tax affairs of that taxpayer and the responsibilities of tax officials are nationwide rather than limited regionally. The exchanged information and the inbound and outbound requests are therefore potentially visible to any GenTax user. Nevertheless, certain identifying information of the sending Competent Authority as well as correspondence including follow up questions and requests for clarifications are redacted and only visible to competent officials. Access to a taxpayer's information, including any information exchanged under a treaty, must always be in line with business requirements ("need to know" principle) and their function ("least privileged access" principle). The FTA has in place a number of security controls to ensure that these business requirements are adhered to and that the information is safeguarded and to prevent unauthorised use of the information. GenTax user activity is fully logged, meaning that there is an audit trail of all access to any taxpayer profile, including taxpayer profiles where exchanged information is available. Only competent officials with privileged GenTax access rights can search specifically for the proportionately very small number of profiles containing EOIR information, and any users without such access rights that would attempt to trawl for this information would be quickly identified. The FTA monitors its logs using risk-based variables that are applied manually and through the use of algorithms to identify possible unauthorised access. The FTA's technical and organisational procedures have in the past allowed unauthorised access to taxpayer profiles to be detected, with disciplinary procedures subsequently applied. These incidents did not

concern exchanged information and there have been no security incidents in this regard.

339. Although GenTax users are officials concerned with the assessment or collection of taxes, and the exchanged information held in the system is clearly marked as such to ensure the reader is aware of particular disclosure requirements and to ensure correct usage in line with the treaty requirements, access to the exchanged information is not restricted, for example to region or responsibility, and may be broader than necessary to allow its effective use. Monitoring activities and the sufficiency of their scope will therefore be key to preventing unauthorised access. Finland should therefore ensure that its access, logging and monitoring controls continue to protect the confidentiality of information and ensure that the use of the information is in line with the standard (see Annex 1).

340. Access to FTA offices is restricted. Where outsiders are able to enter the premises, they are only able to visit pre-defined areas where tax information would not be visible. The physical premises of the FTA have access controls in respect of all rooms and/or floors, which can be accessed only by means of an electronic key. Although information received from treaty partners via postal mail only concerns a very small proportion of exchanged information (around 5%), the mail is identified and stored in a locked safe until it is processed for electronic storage. After electronic storage, paper files are placed in locked bins marked for destruction. The virtual absence of paper based EOI allows the EOI unit to be decentralised across FTA offices and their use of shared open spaces, which are secured with the safeguards detailed above (i.e. electronic key fob to enter the physical premises), with other tax officials. The FTA requires all its tax officials to apply clean desk and locked screen policies: adherence to these policies was visible during the on-site visit.

341. The FTA's hiring and staff policies also account for confidentiality considerations. All officials of the FTA are hired only after security clearance vetting, which includes a criminal records check, has been carried out and these checks are updated every five years. Any subcontracted employees are also subject to criminal records checks and are required to sign a non-disclosure agreement. Finland has incident logging and management procedures in place, and officials are trained to report issues identified.

C.4. Rights and safeguards of taxpayers and third parties

The information exchange mechanisms should respect the rights and safeguards of taxpayers and third parties.

342. All EOI instruments of Finland contain a provision equivalent to the exception provided for in Article 26(3) of the OECD Model Tax Convention, which allows a State to refuse to exchange certain types of information, including information which would disclose any commercial, business, industrial or professional secret, or trade process.

343. On one occasion during the review period, Finland did not provide all information requested by a partner because the information holder claimed that it concerned commercial secrets. Although the peer was satisfied with the extent of the reply received, Finland subsequently recognised that the refusal to provide the information was an incorrect application of Finland's own practice by the official. The requested information did not in fact concern commercial secrets but was rather subject to a confidentiality clause that could have been overridden by Finland's information gathering powers and exchanged with the peer. There were no other instances where Finland did not provide full information because it concerned commercial secrets and Finland has confirmed that the threshold for applying this exemption would be high, such as the example of a propriety formula used in the manufacture of a product.

344. Although claims by information holders concerning commercial, business, industrial or professional secrets, or trade process may be rare in practice, at the time of the request, Finland's process manual did not set out the steps to be taken by officials where such claims are made. The FTA has since provided its team with training and guidance to ensure the correct application of this exemption and it has updated its EOI manual to clarify that where information holders make such claims, the competent official must escalate the case to the EOI team co-ordinator and to the person responsible for the steering and development of case-based information exchange. Finland has therefore properly addressed this irregular mistake.

345. The term "professional secrecy" is not defined in the EOI agreements and therefore this term would derive its meaning from Finland's domestic law. As explained under Element B.1.5, there is an absence of clarity on the scope of Finland's attorney-client privilege and its limitations vis-à-vis the tax authority's access powers have not been tested in Finnish courts.

346. There has been no practical impact of professional secrecy for the exchange of information and the FTA successfully obtained information from lawyers in the one instance when this was requested. Nevertheless, the absence of clarity on the limits of attorney-client privilege may mean that

challenges arise in obtaining information not available elsewhere such as beneficial ownership information of holders of customer funds accounts. Due to the uncertainties on the limits of the FTA's ability to obtain information from attorneys, **Finland is recommended to clarify the scope of professional privilege for the purpose of the exchange of information in tax matters, to ensure that it is consistent with the international standard**.

347. The conclusions are as follows:

Legal and Regulatory Framework: in place

Deficiencies identified/ Underlying factor	Recommendations
Although professional secrecy has not impeded Finland from providing information in practice, the scope of attorney-client privilege in tax matters is not clear. Furthermore, it is unclear whether Finland's professional secrecy laws extend to customer funds accounts, which could prevent access to and exchange of beneficial ownership information concerning these accounts.	Finland is recommended to clarify the scope of professional privilege for the purpose of the exchange of information in tax matters, to ensure it is consistent with the international standard.

Practical Implementation of the Standard: Compliant

No material deficiencies have been identified in exchange of information in practice.

C.5. Requesting and providing information in an effective manner

The jurisdiction should request and provide information under its network of agreements in an effective manner.

348. The 2013 Report noted that the responses received from Finland's peers were of a very high quality and that Finland had responded to almost all of its EOI requests within 90 days. As such no recommendations were given and Finland was rated Compliant with the standard.

349. Similar to the first round review, Finland continued to have a high response rate to requests for information within 90 days (99%). Finland has a functioning team of EOI officials who receive regular training and are subject to a number of quality controls. There are technical systems in place to ensure that all requests are handled and processed in a timely manner.

350. Finland was an active treaty partner during the review period, sending 1 434 information requests and receiving 792 information requests. Finland has demonstrated that it endeavours to be as helpful as possible to its exchange partners, using information sources and providing information in the manner most beneficial to the partners' request, and regularly approving requests by partners to use the information exchanged for non-tax purposes.

351. In all aspects, Finland continues to perform to the standard in responding to requests in full, and in a timely manner, and this is reflected in the very positive feedback from partners on their working relationship with Finland. In particular, partners noted the ease with which they could communicate with the Finnish competent authority. The conclusions are as follows:

Legal and Regulatory Framework

This element involves issues of practice. Accordingly, no determination has been made.

Practical Implementation of the Standard: Compliant

No material deficiencies have been identified in exchange of information in practice.

C.5.1. Timeliness of responses to requests for information

352. During the period under review (1 January 2018 to 31 December 2020), Finland received 792 requests for information. The information sought in these requests related to (i) ownership information (147 cases), of which all were requests for legal ownership information, (ii) accounting information (50 cases), (iii) banking information (19 cases) and (iv) other types of information (576 cases). The proportionally high number of other types of information reflects that Finland counts each taxpayer mentioned in a request as a request and also that the majority of requests from peers concern information in relation to earned income and capital gains. One bulk request was received in 2018 and concerned 368 taxpayers' annual payroll information and tax decisions, contributing to this high proportion. Finland's main EOI partners were Estonia, the Russian Federation and Sweden.

353. The following table relates to the requests received during the period under review and gives an overview of response times of Finland in providing a final response to these requests, together with a summary of other relevant factors affecting the effectiveness of Finland's practice during the period reviewed.

Statistics on response time and other relevant factors

		2018		2019		2020		Total	
		Num.	%	Num.	%	Num.	%	Num.	%
Total number of requests received	[A+B+C+D+E]	471	100	49	100	272	100	792	100
Full response: ≤ 90 days		470	100	45	92	270	99	785	99
≤ 180 days (cumulative)		470	100	48	100	272	100	790	100
≤ 1 year (cumulative)	[A]	470	100	48	100	272	100	790	100
> 1 year	[B]	0	0	0	0	0	0	0	0
Declined for valid reasons		0	0	0	0	0	0	0	0
Outstanding cases after 90 days		0	0	3	6	2	1	5	1
Status update provided within 90 days (for outstanding cases with full information not provided within 90 days, responses provided > 90 days)		0	0	3	100	1	50	4	80
Requests withdrawn by requesting jurisdiction	[C]	0	0	1	2	0	0	1	0
Failure to obtain and provide full information requested	[D]	1	0	0	0	0	0	1	0
Requests still pending on date of review	[E]	0	0	0	0	0	0	0	0

Notes: a. Finland counts each taxpayer mentioned in a request as a separate request, i.e. if a partner jurisdiction is requesting information about four persons in one request, Finland counts that as four requests. If Finland receives a further request for information that relates to a previous request, with the original request still active, Finland will append the additional request to the original and continue to count it as the same request.

b. The time periods in this table are counted from the date of receipt of the request to the date on which the final and complete response was issued.

354. During the review period, there was only one instance when Finland declined to provide all information (see paragraph 342) requested from the partner. Finland provided information in all other instances where it was requested, subject to clarification. There was one request which was withdrawn by a partner after it was established that the information was obtainable from information sources in that jurisdiction.

355. Finland's process manual requires that each request be processed and a full reply sent within 90 days, unless a shorter time is applicable under certain agreements (e.g. two months for requests received under the EU DAC).

356. Finland used its information powers to obtain information in around 95% of the requests, with Finland able to rely on Gentax for the remainder of the requests. For three requests in 2019 and two requests in 2020, Finland provided the information within 180 days. It never took longer for Finland

to answer an EOI request. Finland explained that three requests concerned transfer pricing information, including two which were particularly complex. Two concerned banking information. In one instance, a partial reply was provided within 90 days with the remainder provided 8 days later. In another instance, the competent official issued a request for the information domestically at too late notice and therefore the information was provided one week after the internal 90 day deadline. The delay in issuing the request was due to an official failing to flag other workload commitments to the co-ordinator. Finland explained that it has since increased manual oversight of the system's work queue to prevent future delays.

357. The 2013 Report noted that there were no pending requests at the end of that review period. Similarly, there are no requests sent during the current review period that are pending.

Clarifications and communication with partners

358. In the period under review, Finland sent ten requests for clarification to its partners. In 2018, this included clarification in respect of a bulk request concerning 368 taxpayers in order to define in detail the tax information that was being requested and to ensure Finland selected the correct source of information. Finland also sent three requests for clarification to the same peer in order to obtain additional information on the foreseeable relevance, after which it was established that the information was obtainable in that jurisdiction leading to a withdrawal of one of the requests. Other requests for clarification were made to verify the exchange of information competence of the requesting official, and to obtain further information on a bank account and a taxpayer on which information was requested.

359. One peer highlighted an instance where the competent official in Finland requested clarification on the exhaustion of domestic means. The peer considered Finland's clarifications as going beyond the requirements of the standard. Following discussions with Finland, they agreed that this was done in error and was not in line with the standard Finnish practice. In the end, Finland provided the requested information to the extent that it was available. As remedial action, Finland also arranged for training to all its competent officials to ensure that they are familiar with the requirements expected on foreseeable relevance, and to prevent a similar instance in future. This has been deemed to constitute an isolated case and does not highlight any systemic issue with regards to the application of foreseeable relevance.

360. All other peer input concerning exchanges reflected that clarifications sought by Finland were not excessive and that Finland provided updates for all but one other case that could not be answered within 90 days.

Status updates and communication with partners

361. Where a full reply cannot be given within the time limit, the competent official is required to provide a status update or a partial reply to the requesting jurisdiction. In these cases, the competent official is in contact with the co-ordinator to ensure oversight of the approach taken. In practice, however, Finnish officials typically seek to handle the requests well in advance of the internal 90 day or two month deadlines to prevent any unnecessary delays. The predominant use of secure, electronic means of communication, including the use of the Common Communication Network with other EU Member States, avoids delays in transmission and helps to ensure swift exchange of information. Finland provided partial replies or status updates where full replies could not be given within 90 days in all but one case (which corresponds to an isolated incident).

C.5.2. Organisational processes and resources

Organisation of the competent authority

362. In Finland, the Ministry of Finance is designated as the competent authority under all DTCs. The Ministry has delegated the competent authority powers to the FTA except under the DTC in place with Egypt, and for matters that are considered of high fundamental importance. Finland has clarified that the Ministry of Finance is responsible for determining which issues are of high fundamental importance but that in practice the threshold would be considered extremely high and the exception could be considered superfluous as the Ministry would not see EOI requests and there is no obligation on the FTA to inform the Ministry of such requests. There have been no cases in practice where this has been relevant.

363. Within the FTA, the Taxation Unit's International EOI Service Model hosts the persons who are designated as competent officials for EOIR and spontaneous exchange of information. The EOI (case-based) Service Model is tasked with administering the international EOI function efficiently, without delay, and no later than the agreed time limits set out under international treaties. They are also tasked with raising awareness of their role across the FTA to increase the use of its services (for outgoing requests).

364. The competent officials regularly engage with international partners to strengthen co-operation, particularly through the Nordic Action on International Tax Evasion (NAIS), which seeks to ensure effective working methods, encourage EOIR and develop officials' expertise. Finland's EOI officials also have especially close working relationships with their counterparts in Estonia, and more broadly across the EU.

365. The EOI Service Model maintains one person working full-time centrally to steer and develop the operations of the FTA's network of eight competent officials (full-time and part-time FTA officials). This amounts to 7.3 full time equivalent officials working in the EOI Service Model. Where competent officials are involved in EOI on a part-time basis, they are otherwise employed in domestic tax compliance activities. The FTA ensures that competent officials' details are available and up to date on the relevant secure sites accessible to exchange partners.

366. All competent officials recruited have a corporate taxation, individual taxation or tax auditing background with experience in tax administration ranging from three years to several decades. Their experience as EOI officials currently ranges from 5 months to over 20 years.

367. Training is arranged both for induction purposes and on an ongoing basis for all competent officials. New competent officials are assigned a tutor with expert level knowledge of EOI, and key issues such as the fundamentals of EOIR, the legal framework, the EOI process manual and information usage rights, are subject to mandatory training. All competent authority staff are required to attend virtual bi-monthly meetings, as well as an annual in-person meeting, that always include training on a particular theme, e.g. case examples, confidentiality obligations, review of process manual or other best practices. Further training sessions are arranged on an ad-hoc basis.

368. Financing for the EOI Service Model is provided within the FTA's common framework and Finland does not consider there to be limitations on the human resource that can be allocated to EOI, should further resources be required. Requests for resource are submitted to management based on need, including the pending work queue and any EOI related activities. Technical resource for EOI purposes has been made available through an EOI application within the FTA's comprehensive taxation system, GenTax. This technical application is subject to continuous improvement and replaced the previous "VAPU" system that was in use at the time of the 2013 Report.

Competent authority's handling of the incoming requests

369. When a request for information is received, it is registered in the EOI application of GenTax, which logs and tracks all incoming requests. Where requests are received in postal mail form (around 5% of requests), they are stamped on arrival with the date of receipt to ensure that internal time handling requirements are applied and to ensure that status updates are provided to partners if the information cannot be provided within 90 days. The requests are then stored in a safe until they are scanned and uploaded to the EOI application in the GenTax system. The request is recorded on GenTax alongside information concerning date of receipt, sending jurisdiction, national reference number, type of EOI, description of the case, any requests for feedback,

whether the request is denied, and any further information in relation to the concerned taxpayer. Logging of the requests on GenTax provides for a full audit trail of activity, and enables statistics in relation to the requests to be generated as well as electronic archival of the requests. A competent official responsible for co-ordinating the work log (the co-ordinator), allocates requests to the relevant competent official, recognising any particular areas of expertise and existing workload.

370. Once cases are allocated to a competent official, it appears in their "My Work" space. When processing the case, the competent official is expected to refer to the process manual which sets out the steps from receipt of request to the sending of information and closure of case on the system. As a first step, the competent official is required to verify the validity of the case against all the foreseeable relevant requirements set out under Article 5(5) of the Model Convention, and ensure that the information can be furnished under the relevant exchange mechanism. The identity of the competent authority and validity of the request is also verified against the Global Forum list of competent authorities. The process manual requires that each request be processed and a full reply sent within 90 days, unless a shorter time is applicable under the relevant exchange mechanism for providing a status update. In practice, Finnish officials typically handle requests sufficiently in advance of these deadlines to prevent unnecessary delays. Where a full reply cannot be given within the time limit, the competent official must provide a status update or a partial reply to the requesting jurisdictions. In these cases, the competent official is in contact with the co-ordinator to ensure oversight of the approach taken.

371. In cases where a request is unclear or incomplete, FTA competent officials should always seek clarification or additional information from the requesting jurisdiction. In most cases, the competent official consults the co-ordinator before requesting clarification. This is the practice also adopted where it is unclear whether the foreseeable relevance requirement is met, with the competent official starting a dialogue with the sending jurisdiction.

372. The competent official will consider the most appropriate source of information based on the request. All competent officials have user access rights to a number of domestic databases including GenTax and the national trade registers, meaning information can be readily available. Alternatively, the competent officials can use their powers (see sub-Element B.1) to obtain information from the taxpayer, third parties or another government entity. EOI competent officials are responsible for all of Finland and therefore can obtain the information directly from the information holder without needing to engage any other FTA unit. Once information has been retrieved, a quality check is undertaken before preparing and sending the information to the requesting jurisdiction. Information is usually requested from third parties in the form of a letter with a 14 day response window given, or through an

electronic system that the FTA has put in place with two of Finland's largest banks (see paragraph 269) where information is typically provided within two working days. If the information provided by a third party is not sufficiently clear, the competent official may send a request for additional information. Finland explained that its competent officials had not encountered any difficulties in obtaining information for partners during the review period and no requests for information were contested in court by the information holder or the taxpayer.

373. Input from peers reflected that they were generally satisfied with the responses by Finland, although in one instance Finland was unable to provide the full bank account opening documentation requested due to an error in the bank in recording and maintaining this information, although other identify information was able to be provided. There was also an instance where the information was not provided to the requesting partner, as the information holder claimed it concerned commercial secrets and the competent official handling the request did not adequately scrutinise this claim (see paragraph 343).

374. Although information provided is not subject to a managerial or "four-eyes" check in every case, the EOI Service Model carries out a quality campaign at least twice a year where a sample of cases are selected. During the campaign, information is subject to an internal peer review by the person responsible for the steering and development of the EOI Service Model and by the co-ordinator before being sent to the requesting jurisdiction. At any time, competent officials are also able to ensure quality by transferring their case to a dedicated "quality evaluation" folder in the GenTax application work queue.

375. After the information has been sent to partners, Finland requests feedback from its partners in cases considered significant or where the exchange relationship with a jurisdiction is new. Requesting feedback is encouraged in order to enhance collaboration with partners. For the period under review, Finland requested feedback in 517 incoming EOI requests and spontaneous exchanges.

Outgoing requests

376. Finland sent 1 434 requests to its treaty partners during the review period. The process manual contains detailed procedures to be followed. Information requests are made within the FTA and received by the co-ordinator of the EOI Service Model before being allocated to a competent official for processing. The competent official first reviews the quality of the requests and if needed returns to the requesting tax official for further information and supporting documentation. The competent official drafts the information request for its treaty partner, ensuring that all requirements have been met, including

foreseeable relevance, before sending the request to the receiving country. Similar to incoming requests, there is not a managerial check in every case but the quality of outgoing requests is ensured in the same manner as incoming requests with twice yearly quality campaigns undertaken.

377. When information is received from the exchange partner, the information is marked with a disclaimer (treaty stamped), reviewed for completeness, and is then provided to the requesting tax official. The tax official to whom information is transmitted is also expressly informed of any treaty restrictions on the use of the information. The information received is also stored on the taxpayer's profile on GenTax with certain information redacted, such as competent authority details (see Confidentiality in practice, Element C.3).

378. Finland sent almost half of its outgoing requests to one treaty partner (700 requests). Feedback from this peer noted that the requests generally met the foreseeable relevance requirements, they were complete and supported by the appropriate elements to ensure an effective response, and they were always effectively communicated.

379. During the period under review, Finland received 44 requests[29] for clarification from treaty partners and partners were overall satisfied with the quality of requests received. Requests for clarification typically sought to identify whether the treaty partner could contact the taxpayer directly, clarity on applicability of the exchange mechanism in respect of the information requests, or for further detail on the circumstances of the particular cases. Finland provided feedback to partners in 148 cases.

C.5.3. Unreasonable, disproportionate or unduly restrictive conditions for EOI

380. There are no factors or issues identified that could unreasonably, disproportionately or unduly restrict effective EOI in the case of Finland.

29. This figure relates to the number of instances when clarification was received and is not the number of concerned taxpayers.

Annex 1: List of in-text recommendations

The Global Forum may identify issues that have not had and are unlikely in the current circumstances to have more than a negligible impact on EOIR in practice. Nevertheless, the circumstances may change and the relevance of the issue may increase. In these cases, a recommendation may be made; however, it should not be placed in the same box as more substantive recommendations. Rather, these recommendations can be stated in the text of the report. A list of such recommendations is reproduced below for convenience.

- **Element A.1:** Finland should update guidance to clarify that beneficial ownership information must always be obtained when simplified due diligence is applied (see paragraph 118).
- **Element A.1:** Finland should ensure that all supervisory authorities have sufficient effective guidance to assist AML-obliged persons with the obligations to identify the beneficial owners of customers in line with the standard (see paragraph 122 and 170).
- **Element A.1:** Finland should ensure that all supervisory authorities have sufficient effective guidance to assist AML-obliged persons with the obligations to notify discrepancies in the beneficial ownership register (see paragraph 125).
- **Element A.2:** Finland should ensure that accounting information is available on all trusts with non-professional trustees resident in Finland (see paragraph 199).
- **Element A.3:** Finland should provide sufficient, effective and up-to-date guidance to assist banks with the obligations to identify the beneficial owners of customers in line with the standard (see paragraph 239)
- **Element C.1**: Finland is encouraged to continue its efforts to monitor the effectiveness of the exchange of information with its treaty partners and if necessary renegotiate older DTCs (paragraphs 311, 313, 315 and 319).

- **Element C.2**: Finland should continue to conclude EOI agreements with any new relevant partner who would so require (paragraph 323).
- **Element C.3**: Finland should ensure that its access, logging and monitoring controls continue to protect the confidentiality of information and ensure that the use of the information is in line with the standard (paragraph 339).

Annex 2: List of Finland's EOI mechanisms

Bilateral international agreements for the exchange of information

	EOI partner	Type of agreement	Signature	Entry into force
1	Andorra	TIEA	24-02-10	12-02-11
2	Anguilla	TIEA	14-12-09	10-04-11
3	Antigua and Barbuda	TIEA	19-05-10	24-03-11
4	Argentina	DTC	13-12-94	05-12-96
5	Armenia	DTC	16-10-06	30-12-07
6	Aruba	TIEA	10-09-09	01-06-11
7	Australia	DTC	10-11-06	10-11-07
8	Austria	DTC	26-07-00	01-04-01
		DTC Protocol	04-03-11	01-12-11
9	Azerbaijan	DTC	29-09-05	29-11-06
10	Bahamas	TIEA	10-03-10	09-10-10
11	Bahrain	TIEA	14-10-11	11-07-12
12	Barbados	DTC	15-06-89	20-08-92
		DTC Protocol	03-11-11	23-12-12
13	Belarus	DTC	18-12-07	13-07-08
14	Belgium	DTC	18-05-76	27-12-78
		DTC Protocol	15-09-09	18-07-13
15	Belize	TIEA	15-09-10	13-09-13
16	Bermuda	TIEA	16-04-09	31-12-09
17	Bosnia and Herzegovina	DTC	08-05-86	18-12-87
18	Botswana	TIEA	20-02-13	16-05-15
19	Brazil	DTC	02-04-96	26-12-97
20	British Virgin Islands	TIEA	18-05-09	15-04-10

	EOI partner	Type of agreement	Signature	Entry into force
21	Brunei Darussalam	TIEA	27-06-12	01-05-15
22	Bulgaria	DTC	25-04-85	21-04-86
23	Canada	DTC	20-07-06	17-01-07
24	Cayman Islands	TIEA	01-04-09	31-03-10
25	China (People's Republic of)	DTC	25-05-10	25-11-10
26	Cook Islands	TIEA	16-12-09	02-10-11
27	Costa Rica	TIEA	29-06-11	24-05-14
28	Croatia	DTC	08-05-86	18-12-87
29	Curaçao[a]	TIEA	10-09-09	01-06-11
30	Cyprus[b]	DTC	15-11-12	28-04-13
31	Czech Republic	DTC	02-12-94	12-12-95
32	Dominica	TIEA	19-05-10	27-03-13
33	Egypt	DTC	01-04-65	02-04-66
		DTC Protocol	27-07-76	26-08-76
34	Estonia	DTC	23-03-93	30-12-93
35	France	DTC	11-09-70	01-03-72
36	Georgia	DTC	11-10-07	23-07-08
37	Germany	DTC	05-07-79	04-06-82
		New DTC	19-02-16	16-11-17
38	Gibraltar	TIEA	20-10-09	06-05-10
39	Greece	DTC	20-01-80	04-10-81
40	Grenada	TIEA	19-05-10	22-02-12
41	Guatemala	TIEA	15-05-12	Ratified by Finland; not yet in force
42	Guernsey	TIEA	28-10-08	05-04-09
43	Hong Kong (China)	DTC	24-05-18	30-12-18
44	Hungary	DTC	25-10-78	24-07-81
45	India	DTC	15-01-10	19-04-10
46	Indonesia	DTC	15-10-87	26-01-89
47	Ireland	DTC	27-03-92	26-11-93
48	Isle of Man	TIEA	30-10-07	14-06-08
49	Israel	DTC	01-08-97	01-01-99
50	Italy	DTC	12-06-81	23-10-83

	EOI partner	Type of agreement	Signature	Entry into force
51	Jamaica	TIEA	04-12-12	18-10-13
52	Japan	DTC	04-03-91	28-12-91
53	Jersey	TIEA	28-10-08	03-08-09
54	Kazakhstan	DTC	23-03-09	05-08-10
55	Korea	DTC	08-02-79	23-12-81
56	Kosovo	DTC	08-05-86	18-12-87
57	Kyrgyzstan	DTC	03-04-03	28-02-04
58	Latvia	DTC	23-03-93	30-12-93
59	Liberia	TIEA	10-11-10	12-06-12
60	Liechtenstein	TIEA	17-12-10	04-04-12
61	Lithuania	DTC	30-04-93	30-12-93
62	Luxembourg	DTC	01-03-82	27-03-83
		DTC Protocol	01-07-09	12-04-10
63	Macau (China)	TIEA	29-04-11	09-12-11
64	Malaysia	DTC	28-03-84	23-02-86
65	Malta	DTC	30-10-00	30-12-01
66	Marshall Islands	TIEA	28-09-10	02-12-11
67	Mauritius	TIEA	01-12-11	06-07-12
68	Mexico	DTC	12-02-97	14-07-98
69	Moldova	DTC	16-04-08	09-11-08
70	Monaco	TIEA	23-06-10	10-12-10
71	Montenegro	DTC	08-05-86	18-12-87
72	Montserrat	TIEA	22-11-10	31-12-11
73	Morocco	DTC	25-06-73	01-12-80
		New DTC	07-04-06	19-10-12
74	Netherlands[c]	DTC	28-12-95	20-12-97
75	New Zealand	DTC	12-03-82	22-09-84
		DTC Protocol	06-11-87	08-05-88
76	Niue	TIEA	30-04-13	22-02-14
77	North Macedonia	DTC	25-01-01	22-03-02
78	Pakistan	DTC	30-12-94	10-04-96
79	Panama	TIEA	12-11-12	20-12-13
80	Philippines	DTC	13-10-78	01-10-81

	EOI partner	Type of agreement	Signature	Entry into force
81	Poland	DTC	08-06-09	01-01-11
82	Portugal	DTC	27-04-70	14-07-71
83	Romania	DTC	27-10-98	04-02-00
84	Russia	DTC	04-05-96	01-01-03
85	Saint Kitts and Nevis	TIEA	24-03-10	21-10-11
86	Saint Lucia	TIEA	19-05-10	17-03-11
87	Saint Vincent and the Grenadines	TIEA	24-03-10	28-04-11
88	Samoa	TIEA	16-12-09	20-10-12
89	San Marino	TIEA	12-01-10	15-05-10
90	Serbia	DTC	08-05-86	18-12-87
91	Seychelles	TIEA	30-03-11	08-11-12
92	Singapore	DTC	07-06-02	27-04-02
		DTC Protocol	16-11-09	30-04-10
93	Slovak Republic	DTC	15-02-99	06-05-00
94	Slovenia	DTC	19-09-03	16-06-04
95	South Africa	DTC	26-05-95	12-12-95
96	Spain	DTC	15-11-67	30-10-68
		New DTC	15-12-15	30-07-18
97	Sri Lanka	DTC	18-05-82	28-03-84
		New DTC	06-10-16	24-03-18
98	Switzerland	DTC	16-12-91	26-12-93
		DTC Protocol	22-09-09	19-12-10
		DTC Protocol	18-09-12	03-02-13
99	Tajikistan	DTC	24-10-12	05-09-13
100	Tanzania	DTC	12-05-76	27-12-78
101	Thailand	DTC	25-04-85	28-03-86
102	Türkiye	DTC	06-10-09	04-05-12
103	Turkmenistan	DTC	12-12-15	10-02-17
104	Turks and Caicos Islands	TIEA	16-12-09	02-04-11
105	Ukraine	DTC	14-10-94	12-12-95
106	United Arab Emirates	DTC	12-03-96	24-02-97
		TIEA	27-03-16	13-10-17

	EOI partner	Type of agreement	Signature	Entry into force
107	United Kingdom	DTC	17-07-69	05-02-70
		DTC Protocol	17-05-73	07-07-74
		DTC Protocol	16-11-79	25-04-81
		DTC Protocol	01-10-85	20-02-87
		DTC Protocol	26-09-91	23-12-91
		DTC Protocol	31-07-96	08-08-97
108	United States	DTC	21-09-89	01-01-91
		DTC Protocol	31-05-06	28-12-07
109	Uruguay	DTC	13-12-11	06-02-13
110	Uzbekistan	DTC	09-04-98	07-02-99
		DTC Protocol	08-03-16	03-07-16
111	Vanuatu	TIEA	13-10-10	08-03-11
112	Viet Nam	DTC	21-11-01	26-12-02
113	Zambia	DTC	30-11-78	17-05-85

Notes: a. The count of 39 TIEAs includes Curaçao but not the Caribbean part of the Netherlands which is a part of the Netherlands jurisdiction.

b. Note by Türkiye: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

c. There is also a separate TIEA with the Kingdom of the Netherlands covering Bonaire, Saint Eustatius and Saba.

Convention on Mutual Administrative Assistance in Tax Matters (as amended)

The Convention on Mutual Administrative Assistance in Tax Matters was developed jointly by the OECD and the Council of Europe in 1988 and amended in 2010 (the Multilateral Convention).[30] The Multilateral Convention is the most comprehensive multilateral instrument available for all forms of tax co-operation to tackle tax evasion and avoidance, a top priority for all jurisdictions.

The original 1988 Convention was amended to respond to the call of the G20 at its April 2009 London Summit to align it to the standard on exchange of information on request and to open it to all countries, in particular to ensure that developing countries could benefit from the new more transparent environment. The Multilateral Convention was opened for signature on 1 June 2011.

The Multilateral Convention was signed by Finland on 27 May 2010 and entered into force on 1 June 2011 in Finland. Finland can exchange information with all other Parties to the Multilateral Convention.

The Multilateral Convention is in force in respect of the following jurisdictions: Albania, Andorra, Anguilla (extension by the United Kingdom), Antigua and Barbuda, Argentina, Armenia, Aruba (extension by the Netherlands), Australia, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belgium, Belize, Bermuda (extension by the United Kingdom), Bosnia and Herzegovina, Botswana, Brazil, British Virgin Islands (extension by the United Kingdom), Brunei Darussalam, Bulgaria, Cabo Verde, Cameroon, Canada, Cayman Islands (extension by the United Kingdom), Chile, China (People's Republic of), Colombia, Cook Islands, Costa Rica, Croatia, Curaçao (extension by the Netherlands), Cyprus, Czech Republic, Denmark, Dominica, Dominican Republic, Ecuador, El Salvador, Estonia, Eswatini, Faroe Islands (extension by Denmark), Finland, France, Georgia, Germany, Ghana, Gibraltar (extension by the United Kingdom), Greece, Greenland (extension by Denmark), Grenada, Guatemala, Guernsey (extension by the United Kingdom), Hong Kong (China) (extension by China), Hungary, Iceland, India, Indonesia, Ireland, Isle of Man (extension by the United Kingdom), Israel, Italy, Jamaica, Japan, Jersey (extension by the United Kingdom), Jordan, Kazakhstan, Kenya, Korea, Kuwait, Latvia, Lebanon, Liechtenstein, Liberia, Lithuania, Luxembourg, Macau (China) (extension by China), North Macedonia, Malaysia, Maldives, Malta, Marshall Islands, Mauritius, Mexico,

30. The amendments to the 1988 Convention were embodied into two separate instruments achieving the same purpose: the amended Convention (the Multilateral Convention) which integrates the amendments into a consolidated text, and the Protocol amending the 1988 Convention which sets out the amendments separately.

Moldova, Monaco, Mongolia, Montenegro, Montserrat (extension by the United Kingdom), Morocco, Namibia, Nauru, Netherlands, New Zealand, Nigeria, Niue, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Poland, Portugal, Qatar, Romania, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Sint Maarten (extension by the Netherlands), Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Tunisia, Türkiye, Turks and Caicos Islands (extension by the United Kingdom), Uganda, Ukraine, United Arab Emirates, United Kingdom, Uruguay and Vanuatu.

In addition, the Multilateral Convention was signed by the following jurisdictions, where it is not yet in force: Benin, Burkina Faso, Gabon, Mauritania, Papua New Guinea, Philippines, Rwanda, Togo, United States (the original 1988 Convention is in force since 1 April 1995, the amending Protocol was signed on 27 April 2010).

EU Directive on Mutual Administrative Assistance in Tax Matters

Finland can exchange information relevant for direct taxes upon request with EU member states under the EU Council Directive 2011/16/EU of 15 February 2011 on administrative co-operation in the field of taxation (as amended). The Directive came into force on 1 January 2013. All EU members were required to transpose it into their domestic legislation by 1 January 2013, i.e. Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, the Slovak Republic, Slovenia, Spain and Sweden.

Nordic Multilateral Convention on Mutual Administrative Assistance in Tax Matters

Finland is a signatory to the Nordic Multilateral Convention on Mutual Administrative Assistance in Tax Matters (the Nordic Convention). The Nordic Convention covers Denmark, Finland, Faroe Islands, Greenland, Iceland, Norway and Sweden. The first Nordic Multilateral Convention on Mutual Administrative Assistance in Tax Matters was signed by Denmark, Finland, Iceland, Norway and Sweden in 1972 and was amended several times over the following decades. The current Nordic Convention was opened for signatures in 1989 and provides for all forms of administrative assistance in tax matters including automatic, spontaneous and upon request exchange of information, assistance in recovery of taxes and notification assistance. Finland signed the Nordic Convention on 7 December 1989 and the agreement entered into force on 8 June 1991.

Annex 3: Methodology for the review

The reviews are based on the 2016 Terms of Reference and conducted in accordance with the 2016 Methodology for peer reviews and non-member reviews, as approved by the Global Forum in October 2015 and amended in December 2020 and November 2021, and the Schedule of Reviews.

The evaluation is based on information available to the assessment team including the exchange of information arrangements signed, laws and regulations in force or effective on 1 April 2022, Finland's EOIR practice in respect of EOI requests made and received during the three year period from 1 January 2018 to 31 December 2020, Finland's responses to the EOIR questionnaire, inputs from partner jurisdictions, as well as information provided by Finland's authorities during the on-site visit that took place 25-29 October 2021 in Helsinki.

List of laws, regulations and other materials received

Tax laws

Act on Assessment Procedure

Act on Preventing Money Laundering and Terrorist Financing (444/2017)

Act on the Public Disclosure and Confidentiality of Tax Information

EU Council Directive 2011/16/EU of 15 February 2011 on administrative co-operation in the field of taxation (as amended) (EU DAC)

Income Tax Act

Value Added Tax Act

Company laws

Act on European Co-operative Societies (906/2006)

Act on Residential and Commercial Property Information System (1328/2018)

Associations Act

Auditing Act

Business Information Act

Co-operatives Act (1488/2001)

European Companies Act (724/2004)

Foundations Act 2015

Foundations Act 1930

Foundations Decree

Law on European Co-operative Societies

Law on European Economic Interest Grouping

Limited Liability Companies Act (624/2006)

Limited Liability Housing Companies Act (1599/2009)

Partnerships Act

Trade Register Act

Financial sector regulation and AML laws

Act on Credit Institutions (1607/1993)

Act on the Financial Supervision on Authority

EU Regulation No. 2015/847 (which repealed EU Regulation No. 1781/2006) on information accompanying the transfers of funds

Accounting regulations

Accounting Act (1336/1997)

Accounting Decree (1337/1997)

Act on Book-Entry Accounts

Act on the Book-Entry System and Settlement Activities

Other

Act on the Openness of Government Activities (621/1999)

Administrative Procedure Act

Advocates Act (496/1958 as amended by 626/1995)

Criminal Code of Finland

The Constitution of Finland

Decree on the value of a daily fine

Authorities interviewed during on-site visit

Finnish Tax Administration (FTA)

Ministry of Finance

Ministry of Economic Affairs and Employment

Ministry of Justice

Patent and Registration Office (PRO)

Financial Supervisory Authority (FIN-FSA)

Regional State Administrative Agency for Southern Finland (RSAA)

Finnish Bar Association (in capacity as supervisory authority and representative of private sector practitioners)

Private sector practitioners

- Finnish auditors (Suomen Tilintarkastajat Ry/(Finnish Auditing Association)
- Finnish accountant (Taloushallintoliitto Ry/Finnish Accounting Association)
- Finnish financial sector employers (Finanssiala Ry)/Finance Finland)

Current and previous reviews

This report provides the outcome of the second peer review of Finland's implementation of the EOIR standard conducted by the Global Forum. Finland previously underwent a combined review (Phase 1 and Phase 2) of is legal and regulatory framework and the implementation of the framework in practice in 2013.

The 2013 Review was conducted according to the terms of reference approved by the Global Forum in February 2010 and the Methodology used in the first round of reviews.

Information on each of Finland's reviews is listed in the table below.

Summary of reviews

Review	Assessment team	Period under review	Legal framework as of	Date of adoption by Global Forum
Round 1 Phase 1 + Phase 2	Mr Frederick Strauss, Deputy Tax Attaché, Internal Revenue Service of the United States; Mr Bulent Citci, Senior Tax Inspector, Tax Inspection Board of Türkiye; and Mr Robin Ng and Ms Renata Teixeira from the Global Forum	Not applicable	December 2012	November 2013
Round 2 Phase 1 + Phase 2	Ms Joyce Mwangi, Kenya Revenue Authority, Mr Luc Gonin, Section Head, Swiss Federal Tax Administration; and Mr Mark Scott and Ms Aurore Arcambal from the Global Forum	1 January 2018 to 31 December 2020	1 April 2022	5 August 2022

Annex 4: Finland's response to the review report[31]

Finland would like to express its appreciation for the outstanding work done by the assessment team in evaluating Finland for this combined review. Finland would also like to thank the Peer Review Group and other exchange of information partners for their valuable contributions to the review.

Finland remains fully committed to the global standard for exchange of information for tax purposes and has already a long history of efficient day-by-day cooperation with partner jurisdictions, as reflected by the vastly positive peer feedback collected during the review. As shown in the report, Finland is among the most effective countries in providing hundreds of yearly replies with close to all incoming requests replied fully and with good quality within 90 days of receipt, and thus supporting effective and timely control measures of partner jurisdictions.

The understanding of Finland is that the peer review process itself gives us an opportunity to see our legal and administrative processes and especially the shortcomings from the outside, and it enables us to improve our legal and administrative systems.

The ratings, including the overall rating, reflect fairly the state of the legal framework and practice of Finland. Finland will take due note of the recommendations that mostly relate to newer parts of the standard, such as beneficial ownership. The recommendations will be examined carefully and both legislation and practices will be improved to bring Finland fully in line with the standard requirements.

31. This Annex presents the Jurisdiction's response to the review report and shall not be deemed to represent the Global Forum's views.

GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

Peer Review Report on the Exchange of Information on Request FINLAND 2022 (Second Round)

The Global Forum on Transparency and Exchange of Information for Tax Purposes is a multilateral framework for tax transparency and information sharing, within which over 160 jurisdictions participate on an equal footing.

The Global Forum monitors and peer reviews the implementation of international standard of exchange of information on request (EOIR) and automatic exchange of information. The EOIR provides for international exchange on request of foreseeably relevant information for the administration or enforcement of the domestic tax laws of a requesting party. All Global Forum members have agreed to have their implementation of the EOIR standard be assessed by peer review. In addition, non-members that are relevant to the Global Forum's work are also subject to review. The legal and regulatory framework of each jurisdiction is assessed as is the implementation of the EOIR framework in practice. The final result is a rating for each of the essential elements and an overall rating.

The first round of reviews was conducted from 2010 to 2016. The Global Forum has agreed that all members and relevant non-members should be subject to a second round of review starting in 2016, to ensure continued compliance with and implementation of the EOIR standard. Whereas the first round of reviews was generally conducted as separate reviews for Phase 1 (review of the legal framework) and Phase 2 (review of EOIR in practice), the EOIR reviews commencing in 2016 combine both Phase 1 and Phase 2 aspects into one review. Final review reports are published and reviewed jurisdictions are expected to follow up on any recommendations made. The ultimate goal is to help jurisdictions to effectively implement the international standards of transparency and exchange of information for tax purposes.

This publication contains the 2022 Second Round Peer Review Report on the Exchange of Information on Request for Finland.

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