

Standard 2.1

Code of conduct for the provision of financial services

Regulations and guidelines



How to read a standard

A standard is a collection of subject-specific regulations and guidelines which both obliges and guides supervised entities and other financial market participants, indicates the quality level expected by the supervisor, sets out the supervisor's key principles of good practice and provides justification for regulation.

Each paragraph in a standard is furnished with a particular margin note:

- **Norm:** A reference to a current legal or regulatory provision.
- **Binding:** A FIN-FSA regulation that is legally binding on supervised entities or other financial market participants, issued by the FIN-FSA by virtue of its regulatory power based in Finnish law.
- **Recommendation:** FIN-FSA recommendatory guidance to supervised entities or other financial market participants.
- **Application guideline/example:** A practical application guideline or example related to a norm, binding regulation or recommendation. A reference to a FIN-FSA standard or a particular point in the standard.
- **Justifications:** An explanation of the background, purpose and objectives of a regulation or standard.

FIN-FSA standards may be accessed from www.fin-fsa.fi/eng

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1

APPLICATION

*Issued on 26 October 2007
Valid from 1 November 2007*

(1) This standard shall be applied to the following supervised entities referred to in section 5 of the Act on the Financial Supervision Authority (587/2003):

- credit institutions
- investment firms
- fund management companies providing investment services (portfolio management)
- Finnish branches of foreign credit and financial institutions
- Finnish branches of foreign investment firms
- Finnish branches of foreign fund management companies providing investment services (portfolio management).

*Issued on 26 October 2007
Valid from 1 November 2007*

(2) The rules on credit institution services shall be applied to credit institutions' customer relations where the customer is a consumer or, as applicable, to customer relations where the customer is a small company comparable to a consumer.

*Issued on 26 October 2007
Valid from 1 November 2007*

(3) The standard is not applicable to services provided to eligible counterparties as defined in the Securities Markets Act.¹

*Issued on 26 October 2007
Valid from 1 November 2007*

(4) The standard shall also be applied to Finnish supervised entities providing financial services cross-border from Finland to another country.

*Issued on 16 June 2006
Valid from 1 August 2006*

(5) The general expression "supervised entity" refers in the standard to all companies covered by the standard, if not otherwise specified.

*Issued on 16 June 2006
Valid from 1 August 2006*

(6) Supervised entities using agents to provide financial services are responsible for ensuring that their agents act in compliance with this standard.

¹ See chapter 1, section 4 b of the Securities Markets Act.

*Issued on 26 October 2007
Valid from 1 November 2007*

(7) [Standard 5.2a](#) on securities offerings and listings deals with the code of conduct for underwriting and placing of financial instruments.

2

OBJECTIVES

*Issued on 16 June 2006
Valid from 1 August 2006*

(1) The objective of the code of conduct for supervised entities in their customer relations is to promote proper practice and thus increase customers' confidence in the entities' operations and in the financial markets. The main purpose of the code of conduct is to ensure that customers of supervised entities can make decisions concerning financial services based on adequate and material information and that the supervised entities take into account the interests of their customers when they provide the services.

*Issued on 26 October 2007
Valid from 1 November 2007*

(2) The objectives of the standard are to

- present the code of conduct for the provision of financial services in a clear and concise manner
- induce supervised entities to take customer interests into account in all circumstances and to act in accordance with proper practice
- provide guidance on the obligation to obtain and provide information and on other conduct where such guidance is not adequately provided in the legislation.

3

INTERNATIONAL FRAMEWORK AND FINANCIAL SECTOR SELF- REGULATION

*Issued on 26 October 2007
Valid from 1 November 2007*

(1) In the standard, account has been taken of the following international recommendations and financial sector self-regulation:

- The Committee of European Securities Regulators (CESR): Inducements under MiFID, CESR/07-228b
- The Committee of European Securities Regulators: Best Execution under MiFID, Questions and Answers, CESR/07-320
- The International Organization of Securities Commissions (IOSCO): Objectives and Principles of Securities Regulation, 2003 (particularly section 12.5 on market intermediaries' obligation to obtain and provide information)
- The Finnish Bankers' Association: Rules on good banking practice, 2004.

4

LEGAL BASIS

*Issued on 26 October 2007
Valid from 1 November 2007*

(1) In preparing the standard, the following Directives and Regulation have been taken into account:

- Directive 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions (32006L0048; OJ L 177, 30.06.2006, p. 1)
- Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (32004L0039; OJ L 145, 30.04.2004, p. 1)
- Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (31985L0611; OJ L 375, 31.12.1985, p. 3)
- Commission Directive 2006/73/EC implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (32006L0073; OJ L 241, p. 26) (below the Commission Directive)
- Commission Regulation (EC) No 1287/2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive (32006L1287; OJ L 241, p. 1) (below the Commission Regulation).

*Issued on 26 October 2007
Valid from 1 November 2007*

(2) The related national regulation is based on the following legislation:

- Credit Institutions Act (121/2007)
- Consumer Protection Act (38/1978)
- Act on Provision of Information Society Services (458/2002)
- Act on Guarantees and Third-Party Pledges (361/1999)
- Commercial Code (3/1734)

- Act on Credit Transfers (821/1999)
- Securities Markets Act (495/1989)
- Mutual Funds Act (48/1999)
- Investment Firms Act (922/2007)
- Act on Foreign Investment Firms' Right to Provide Investment Services in Finland (580/1996)
- Act on Foreign Fund Management Companies in Finland (225/2004)
- Act on Foreign Credit and Financial Institutions in Finland (1608/1993).

*Issued on 26 October 2007
Valid from 1 November 2007*

(3) The Finnish Financial Supervision Authority's (FIN-FSA) power to issue binding regulations in this area is based on the following provisions:

- chapter 4, section 1, subsection 3, section 3, subsection 4, section 4, subsection 7, section 5, subsection 5, section 6, subsection 3 and chapter 10, sections 1, 1 a and 1 b of the Securities Market Act.

*Issued on 16 June 2006
Valid from 1 August 2006*

(4) One of the tasks of FIN-FSA is to guide financial market participants in applying proper practice in their operations. FIN-FSA's general power to provide such guidance is included in this task.

5

GENERAL PRINCIPLES FOR THE PROVISION OF FINANCIAL SERVICES

5.1 General

Justifications

Issued on 16 June 2006
Valid from 1 August 2006

(1) In the regulation of credit institution and investment services, the requirements concerning the code of conduct for providers are presented differently depending on the financial service or financial instrument provided. This is reflected, for instance, in the terminology used in the legislation, depending on whether the rules concern marketing, the obligation to provide information or both. The EU legislation also varies among others as to requirements on the degree of detailed information the service provider shall make available to the customer regarding different financial services and instruments.

Norm

Issued on 26 October 2007
Valid from 1 November 2007

(2) Credit institutions' marketing and contents thereof are regulated in section 125 of the Credit Institutions Act. In addition to the marketing of services, the section also contains provisions on the obligation to provide information. Section 134 regulates customers' right to basic banking services.

Issued on 17 June 2013
Valid from 1 July 2013

(3) Repealed with regulations and guidelines 16/2013 Finanssipalvelujen tarjoamisessa noudatettavat menettelytavat.

Norm

Issued on 26 October 2007
Valid from 1 November 2007

(4) The supervised entities shall not only comply with the provisions in the financial market legislation but they shall also take into account other legal requirements, such as the provisions in the Consumer Protection Act on consumer credit and the information to be disclosed in distance selling of financial services. The obligation to provide information is also regulated, for

instance, in the Act on Provision of Information Society Services, the Act on Guarantees and Third-Party Pledges and the Commercial Code.

5.2 Proper practice in the provision of financial services

(5) Chapter 5.2 was repealed with regulations and guidelines 16/2013
Finanssipalvelujen tarjoamisessa noudatettavat menettelytavat.

*Issued on 17 June 2013
Valid from 1 July 2013*

6

PROPER CONDUCT IN THE PROVISION OF CREDIT INSTITUTION SERVICES

6.1 Loans

6.1.1 Obligation to provide information

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(1) FIN-FSA recommends that supervised entities provide their customers with adequate information on loan alternatives, key loan terms and loan-related expenses.

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(2) Prior to entering into the loan contract, the customer should be adequately informed on the relevant details of the loan. Depending on the loan type, at least the following information should be provided:

- interest rate alternatives and interest rate structure
- bilateral contract termination clauses, including particular terms and charges for premature termination or repayment of loan
- all costs arising from withdrawal and servicing of the loan (eg interest rate, service fees, notification costs)
- estimated loan management costs
- risks arising from economic variables affecting the loan maturity (eg risks related to long-term variable rate housing loans)
- key taxation effects (eg interest tax deductibility, position of first-time house buyers) and available government assistance (eg government guarantee)
- legal meaning of possible loan collateral.

Norm

Issued on 26 October 2007
Valid from 1 November 2007

(3) Consumer customers shall also be informed in accord with the Consumer Protection Act, eg as to the true annual rate of interest.

6.1.2 Obligation to obtain information

Recommendation

Issued on 16 June 2006
Valid from 1 August 2006

(4) Prior to granting a loan, the supervised entity shall obtain adequate information on the customer in order to assess its solvency (obligation to obtain information).

Justifications

Issued on 16 June 2006
Valid from 1 August 2006

(5) The purpose of the obligation to obtain information is not only to manage credit risk but also to take account of the customer's financial security, in order to ensure that the customer can repay the loan.

Application example

Issued on 26 October 2007
Valid from 1 November 2007

(6) As to the type and size of loan, the supervised entity shall aim to ensure that the loan management costs do not grow out of proportion as a result of changing conditions (eg due to changes in customer's financial position or loan reference rate).

Binding

Issued on 16 June 2006
Valid from 1 August 2006

(7) In addition, the supervised entity shall comply with [standard 4.4a](#) on management of credit risk and [standard 2.4](#) on customer identification and customer due diligence.

6.2 Collateral

General

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(8) In entering into collateral contracts, the supervised entity should take account of the financial security of the collateral provider.

Recommendation

Issued on 16 June 2006
Valid from 1 August 2006

(9) Third-party collateral commitments in particular should, as a rule, be specific. However, good cause may justify general collateral commitments.

Recommendation

Issued on 16 June 2006
Valid from 1 August 2006

(10) The collateral provider should be able to influence the choice of specific or general collateral.

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(11) If general collateral is used, the provider of collateral should be informed particularly as to the legal meaning of the collateral and the obligations associated with the general collateral. In addition, providers of third-party collateral should be informed particularly of their right to limit their responsibility.

Norm

Issued on 26 October 2007
Valid from 1 November 2007

(12) In addition, other legally required information shall be disclosed to the provider of collateral according to the Act on Guarantees and Third-Party Pledges and the Commercial Code.

Realisation of collateral and collection of payment from guarantor

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(13) If the supervised entity must realise collateral provided or collect payment from a guarantor, this should be done as expediently and harmlessly as possible vis-à-vis the parties involved.

Application guideline

Issued on 26 October 2007
Valid from 1 November 2007

(14) As a rule, the following principles can be followed, if this does not jeopardise the position of the collateral holder:

- if both debtor assets and external collateral/guarantees are as collateral, the collateral provided by the debtor shall be realised first
- if it is intended to use pledges or guarantees from several parties as collateral for the loan, it may be agreed when the collateral is provided that the realisation procedure is decided by way of settlement; if the matter cannot be settled, the collateral holder may decide the order of realisation, unless otherwise provided in the legislation
- in realisation, account should be taken of the size of the claim as compared to the value of the provided collateral, in order to avoid realisation of valuable collateral for a small claim
- securities provided as collateral shall, if possible, be realised in public or multilateral trading or in similar trading in another country
- in the realisation of collateral, especially securities, possible customer requests concerning the order of realisation should be observed.

6.3 Deposits

6.3.1 Obligation to provide information

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(15) FIN-FSA recommends that deposit banks provide their customers with adequate information on deposit alternatives, key deposit terms and deposit-related expenses.

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(16) Prior to entering into a deposit contract, the customer should be adequately informed of the relevant details of the deposit. At least the following information should be provided:

- interest rate alternatives and interest rate structure:
 - if the deposit return or interest rate is tied to another instrument, such as a share basket or share index, the customer should be informed of how the return or interest rate is determined
 - if the contract includes maximum or minimum interest rate clauses, the customer should be informed of their meaning
- bilateral contract termination clauses and, in the case of a fixed term deposit, whether it is possible to terminate the contract before

maturity and what fees and other expenses the customer would then incur

- all costs resulting from the contract
- taxation effects of the contract (eg taxation of interest or return)
- possible withdrawal or other limits on use of the account.

Norm

Issued on 26 October 2007
Valid from 1 November 2007

(17) The deposit bank shall inform its customers of the Deposit Guarantee Fund's protection of their assets, of other corresponding protection, and of changes in information provided earlier.²

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(18) FIN-FSA recommends that an account statement be provided free of charge to the account holder once per calendar year, if not otherwise agreed. The account statement should provide information on all transactions completed since the previous statement.

6.3.2 Customers' right to basic banking services

Norm

Issued on 26 October 2007
Valid from 1 November 2007

(19) Deposit bank customers are entitled to basic banking services according to section 134 of the Credit Institutions Act.

Application guideline

Issued on 26 October 2007
Valid from 1 November 2007

(20) Deposit accounts and means of using them, and payment transfers are typical basic banking services. Among other things, a deposit bank is obliged to offer conventional deposit accounts for general payment transfers. A deposit bank can refuse to offer basic banking services only on legally defensible grounds. The basis for refusal shall be disclosed to the customer unless otherwise provided in the legislation.

Application guideline

Issued on 26 October 2007
Valid from 1 November 2007

(21) A deposit bank is obliged to grant its customers only such means of using an account which do not allow overdrawing (eg ATM or online payment cards). The bank is not obliged to grant its customers bank cards, because the bank, under the "bank card guarantee", is responsible to retailers for its customers' use of bank cards.

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(22) The customer's right to basic banking services should not be undermined in practice through unreasonable and discriminating pricing or the like.

6.3.3 Means of account usage

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(23) As regards account usage, deposit banks should particularly draw customers' attention to security matters.

Recommendation

Issued on 16 June 2006
Valid from 1 August 2006

(24) Customers should be able, for example, to set daily withdrawal limits in accord with their own needs.

² See section 108 of the Credit Institutions Act.

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(25) It is important to emphasise the customer's need to be careful with means of account usage and his responsibility in case online banking codes or bank and credit cards disappear or are misused.

6.3.4 Cancellation of payments from deposit accounts**Norm**

Issued on 26 October 2007
Valid from 1 November 2007

(26) A deposit bank can cancel a payment order at the payer's request according to the Act on Credit Transfers.

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(27) Should a payment, due to payer errors, be credited to the wrong account and no longer be revocable as referred to in the Act on Credit Transfers, FIN-FSA recommends that the receiving bank negotiates with the recipient on revocation of the payment. If the recipient refuses to reverse the payment, the receiving bank may, notwithstanding banking secrecy, disclose the recipient's contact information to the payer's bank, which may forward it to the payer.

Recommendation

Issued on 26 October 2007
Valid from 1 November 2007

(28) The bank may correct its own spelling and calculation errors and other technically incorrect entries in a payment transfer even if the recipient's account has already been credited. The correction should be made as soon as possible after the mistake has been detected. The account holder should be informed of all errors and corrections without delay. An error may not be corrected via an overdraft without the customer's consent.

7

PROPER CONDUCT IN THE PROVISION OF INVESTMENT SERVICES

*Issued on 17 June 2013
Valid from 1 July 2013*

(1) Chapter 7 was repealed with regulations and guidelines 16/2013
Finanssipalvelujen tarjoamisessa noudatettavat menettelytavat.

8

REPORTING TO FIN-FSA

*Issued on 17 June 2013
Valid from 1 July 2013*

(1) Chapter 8 was repealed with regulations and guidelines 16/2013
Finanssipalvelujen tarjoamisessa noudatettavat menettelytavat.

9

DEFINITIONS

*Issued on 26 October 2007
Valid from 1 November 2007*

- Financial services refer to credit institution services and investment and ancillary services.
- Credit institution services refer to products offered by credit institutions and other services than investment and ancillary services (eg loans, deposits and payment transfers).
- Investment services refer to the services mentioned in section 5 of the Investment Firms Act.
- Ancillary services refer to the services mentioned in section 15 of the Investment Firms Act.
- Financial instruments refer to the instruments mentioned in section 4 of the Investment Firms Act (such as securities and derivatives).
- Investment advice refers to personal recommendations to a customer in respect of transactions relating to certain financial instruments.
- Portfolio management refers to managing financial instruments in accordance with mandates given by customers on a fully or partly discretionary basis.
- Execution of orders refers to executing transactions relating to financial instruments for the account of customers.
- Transmission of orders refers to reception and transmission of orders relating to financial instruments.
- Professional customer refers to customers as referred to in chapter 1, section 4, subsection 4 of the Securities Markets Act.
- Non-professional customer refers to other than professional customers ('retail customer').

10

FURTHER DETAILS

Please find the necessary contact information in the list of [Persons in charge](#) provided on the FSA website. For further information, please contact:

- Conduct of Business Supervision/Customer Protection.

11

REVISION HISTORY

When the standard entered into force, it repealed FIN-FSA guideline 102.4 on the cancellation of payments from customers' accounts.

The standard has been revised as follows:

- Revision date 26 October 2007: Updating of the standard according to the amendments in chapters 4 and 10 of the Securities Markets Act and introduction of new margin texts
 - When the revision entered into force, it repealed FIN-FSA guideline 201.7 on practices to be applied in the provision of investment services.
 - Issued on 25 October 2012, valid from 21 December 2012: paragraph 61 in Section 7.3.1 was made obsolete.
 - Issued on 17 June 2013 regulations and guidelines 16/2013 Finanssipalvelujen tarjoamisessa noudatettavat menettelytavat, valid from 1 July 2013 as regards Chapters 1-4, 6 and 9-11: paragraph 3 in Section 5.1, Section 5.2 and Chapters 7 and 8 were made obsolete.

All versions of the standard are included under Regulation/FSA standards on FIN-FSA's website.