EUROPEAN BANKING GUIDE FOR NONPROFITS

HOW TO OPEN AND MANAGE AN ORGANIZATIONAL BANK ACCOUNT

European Center for Not-for-Profit Law

PILnet

FINLAND

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European Center for Not-for-Profit Law Stichting (ECNL)

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PILnet

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1. OPENING AN ORGANISATIONAL BANK ACCOUNT

a. What are the requirements to open an organisational bank account?

i. Do organisations have to be physically present in the country to open a bank account? I.e., can they operate in country X but have a bank account in country Y? Is the presence of a statutory representative required or can the presence be fulfilled through an authorization?

There is no requirement under Finnish law to be present in Finland in order to open a bank account. However, it is common practice that banks require the entity to be registered in Finland.

The requirements for a CSO to obtain legal personality in Finland are that the CSO must be registered and have a domicile in Finland. The Chairman of the Board of Directors must be resident in Finland unless the Finnish Patent and Registration Office grants permission to the contrary. Moreover, there may be additional requirements placed by individual banks.

ii. Are there specific requirements for CSOs to open accounts by law or asked in practice by the banks (e.g, years of operations, annual turnover, to have director or member of governing body to be national of the country)

Finnish law does not contain any specific procedural requirements or formalities with respect to opening a bank account in Finland. However, the CSO must for example comply with the requirements on customer identification and due diligence in the Finnish Act on Preventing Money Laundering and Terrorist Financing (the "**AML Act**") as well as the specific bank's own internal process for opening an account.

iii. Who is authorized/required to open a bank account? Can this be done online, or that person needs to be present in the country?

Banks would normally require account opening agreements be signed by authorised signatories on behalf of the CSO (the representative of the CSO). The documents can be signed on paper or electronically. However, some banks may require a meeting (physical or online) to be held with representatives

of the CSO before opening a bank account, especially if the CSO in question does not have a permanent establishment or representative in Finland.

iv. What is the process of setting up a bank account? E.g., how long it takes, is there a practice to have an interview in the bank?

A common practice is that the CSO delivers signed minutes of the Board of Directors confirming the need to open a bank account. The minutes must include specifications which services are needed.

Other usually required documents:

- Signed minutes or extract from the minutes reporting the election of the Board of Directors;
- An up-to-date extract from the Register of Associations which is maintained by the Finnish Patent and Registration Office;
- Constitutional documents of the CSO;
- Names and personal data of the members of the Board of Directors (name, nationality, country of residence, social security number / date of birth, and a note whether the person is a politically exposed person (PEP) or not);
- Contact information on the authorised user.

As to how long the processing of the application to open the account will take, also depends on the bank in question and the amount and nature of the information required as well as the specific characteristics of the CSO opening the bank account. During 2022, it has taken approximately from 3 to 4 weeks.

2. BANKING ACTIVITIES

a. What customer due diligence requirements are in place and what is their impact on civil society organisations' banking activities?

Pursuant to the Finnish Act on Credit Institutions, a bank is required to know its customers ("**KYC**"). As a result, all Finnish banks request their customers to present personal identification, for example, when establishing a new customer relationship.

Banks are also subject to various legislation aimed at preventing money laundering, terrorism and financial crime in this era of globalisation in monetary transactions.

The AML Act stipulates the general requirements for customer due diligence procedures. There are no specific due diligence requirements to be performed on CSO's and each bank has its own internal policies on what information and documentation must be provided during the account opening process. Customer due diligence data must be documented and retained in accordance with the AML Act.

The obligations concerning customer due diligence are:

- customer identification and verification of identity;
- identification and, where necessary, verification, of beneficial ownership (identifying ownership by a natural person exceeding 25% and control relationships in the customer);
- identification and verification of the customer's representative;
- obtaining information on the customers' activities, the nature and extent of their business, and the grounds for the use of the service or product;
- retention of customer due diligence information;
- obligation to obtain information and report suspicious transactions;
- internal instructions, training, contact persons, decision-making process;
- development and use of risk-management and continuous monitoring methods.

Information obtained to fulfill the obligation to obtain information and the reporting obligation must be kept separate from the customer data. The customer does not have the right to check this information.

The retention period applicable to customer information and documents, as applicable, is five years from the end of the customer relationship or individual transaction. If the customer was identified remotely, information on the procedure or sources used in the verification must be retained. More information on customer due diligence can be foundat: https://www.finanssivalvonta.fi/en/banks/prevention-of-money-laundering-and-terrorist- financing/customer-due-diligence/.

b. Which internal principles or official (central bank) "suspicious transaction" monitoring criteria are in place affecting the civil society organisations? Is it publicly available?

All banks have a duty to investigate the background and purpose of transactions, transaction patterns, and activities when there may be a suspicion or reasonable cause to believe that they are, or have been, linked to criminal activities such as money laundering or terrorist financing.

Regional State Administrative Agencies are the competent enforcement authority in respect of businesses and other economic operators that, due to the nature of their business, are in a position to expose money laundering and terrorist financing or likely to become a target for money laundering and terrorist financing.

Anti-money laundering register

Regional State Administrative Agencies keep a register of these kinds of businesses and operators for anti-money laundering purposes. The information is in the public domain, and anyone can access the register without creating an account. All the operators that are monitored by the Regional State Administrative Agency (set out in the list below) must have their details included in one of the registers. The Regional State Administrative Agency can assist in evaluating the need for registration, if you are uncertain whether you should apply for registration.

The industries they monitor include:

- providers of legal services (excluding attorneys);
- financial service providers (excluding those supervised by the Financial Supervisory Authority);
- peer-to-peer lending intermediaries;
- providers of business consultancy and ancillary investment services;
- pawnbroking institutions;
- real estate and rental housing brokers;
- debt collection agencies;

- providers of business services;
- tax advisors;
- accountants;
- traders;
- art dealers.

Risk Based assessment if the AML Act applies to you

All operators to which the Anti-Money Laundering Act applies have a duty to identify and analyse the risk of money laundering and terrorist financing inherent in their business and to document their findings at regular intervals.

Risk-based assessment is one of the key concepts in the fight against money laundering and terrorist financing. Risk-based assessment is at the core of all actions to prevent money laundering and terrorist financing both on a supranational level and in respect of individual operators.

For individual operators, risk-based assessment means identifying, analysing and understanding the risk of money laundering and terrorist financing inherent in their business. The steps that need to be taken to ensure compliance with the Anti-Money Laundering Act depend on the level of risk. The level of risk is assessed taking into account the nature, size and scope of each operator's business.

c. Do the banks in the country of operations have any restrictions/limitations to bank transactions and transfers to certain jurisdictions (such as high-risk ones).

The banks usually request information on typical transactions as a part of the KYC measures, when a new customer is opening a new account. Then the transactions may be examined based on this information.

See also answer to question on Russian sanctions below regarding international sanctions.

3. OBLIGATIONS AND REPORTING REQUIREMENTS

a. Are banks required to provide CSO clients' financial information to CSO regulatory authorities or public officials? If yes, under what circumstances must banks do so, and what types of information must they provide?

The Finnish Financial Business Act (in Finnish: rahoitustoimintalaki, Section 26) prohibits unjustified disclosure of confidential information by financial undertakings. All customer information is confidential and banks are prohibited to disclose financial information concerning their customers to regulatory authorities, public officials and other third-party recipients, unless the disclosure is justified as set out below in the next paragraph.

The Regional State Administrative Agency has given guidelines on when to report suspicious activity. According to the guidelines banks are required to monitor and know their customer throughout the relationship. If there is abnormal activity the purpose of the activity should be examined thoroughly. The activity can, for example, be compared to what is usually considered as being normal in similar situations. If the conclusion after the examination is that the activity has some suspicion, it should be reported with a low threshold. You may find more information here: https://avi.fi/en/services/businesses/enforcement-and-reporting-violations/wealth-and-assets/enforcement-of-the-anti-money-laundering-act.

b. What bligations do banks have to protect the privacy of clients' information?

All banking activities must respect the principle of confidentiality of customer data i.e. banking secrecy. Banks receive a wide range of client information. Such information is confidential under the Credit Institutions Act. This means that no employee or member of the institution of a bank may disclose information about a customer to any third party. The obligation of banking secrecy extends to both permanent and temporary customer relationships.

The obligation of banking secrecy under the Credit Institutions Act is complemented by specific confidentiality provisions

in other legislation. Data protection legislation, such as the Personal Data Act and the Credit Information Act, also contains provisions that affect the content of the obligation of secrecy. The obligation of banking secrecy also applies to organisations, companies, and corporations.

There are also several laws which contain exemptions for banking secrecy. Various authorities such as the police, the supervisory authority and the tax authority, have the right to obtain

information on otherwise confidential matters relating to banking clients. As exceptions, according to Finnish legal principles, these provisions must be interpreted restrictively.

c. Are there specific reporting obligations for banks to inform governments on civil society banking in certain circumstances?

The general rules apply.

d. Are you aware of any change in regulation/practice due to the Russian sanctions?

Due to international sanctions, there are restrictions in the activities of the banking, financial and insurance sector.

According to the authorities:

When an export or import ban is imposed, it usually also covers funding and financial services as well as insurance and reinsurance for the products in question as well as their transportation and other associated services.

The financial and insurance sector may also be subject to specific restrictions; for example, with respect to businesses which are state-owned or operate in a certain industry sector, or with regard to investment and insurance provided for such businesses.

The establishment of new banking relationships with banks of a sanctioned country can also be restricted. More information here: https://um.fi/international-sanctions#banking.

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