CASH MANAGEMENT

cashmanagement.bnpparibas.com/atlas-countries

The bank for a changing world
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Introduction to FINLAND

Finland’s economic position deteriorated between 2008 and 2015, with the economy contracting by almost 8%. This was due to a series of structural problems that hit the major industrial sectors in Finland, namely electronics, timber and paper & pulp. In addition, the country has been affected by the embargo on trade with Russia, one of its major trading partners.

Nevertheless, Finland is still among Europe's wealthiest economies. GDP per head was almost 9.5% above the European average in 2018 compared with around 20% in 2008. Moreover, Finland's growth bounced back from 2016 onwards (to 2.8% from 0.5% in 2015). Higher consumer confidence and low interest rates have underpinned private consumption and construction investment. In addition, the recovery of world trade and improved competitiveness have boosted exports. This improvement in competitiveness has been largely due to the implementation of structural reforms by the Finnish government since 2016, such as reducing regulations that hinder competition. Moreover, a Competitiveness Pact to boost growth and employment was signed in 2016. The Pact includes a shift of employers’ social security contributions to employees and an annual working time extension of 24 hours without additional pay. In exchange, income taxes have been lowered.

However, Finland, a small open economy, could suffer from a less favourable international environment in 2019 and 2020. The growth rate of GDP is thus forecast to slow (after an increase of 2.4% in 2018 and 3% in 2017).

Summary

BNP Paribas presence

BNP Paribas has a representative office in Helsinki, enabling both foreign companies with a presence in Finland and Finnish companies seeking to expand internationally to access a wide range of services including cash management and international trade finance.

Working with BNP Paribas

While Finland is well-served by local banks, many multinational corporations are seeking an international banking partner that can provide pan-European services. BNP Paribas supports clients in Finland through non-resident accounts that can be located in any SEPA country, with both domestic and international capabilities, including tax, social security and salary payments. Cash management and trade finance solutions are fully integrated with BNP Paribas’ global solutions and service offering and extensive international network across 60 countries globally.

Currency

- Euro (EUR)

Exchange Rates
<table>
<thead>
<tr>
<th>Exchange rate: EUR per USD</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.7537</td>
<td>0.9017</td>
<td>0.9040</td>
<td>0.8873</td>
<td>0.85</td>
</tr>
</tbody>
</table>


**Central Bank**

- The Finnish central bank is Suomen Pankki ([www.suomenpankki.fi](http://www.suomenpankki.fi)).
- The Suomen Pankki is a member of the European System of Central Banks (ESCB) and operates certain activities, such as issuing currency, under the authority of the European Central Bank ([www.ecb.europa.eu](http://www.ecb.europa.eu)).

**Bank supervision**

- In November 2014, the ECB, via the Single Supervisory Mechanism (SSM), assumed responsibility for supervising the financial stability of banks operating within the euro zone. However, while the ECB has final supervisory authority over all banks operating within the euro zone, it will only directly supervise those banks classified as 'significant' under the terms of the SSM (117 significant banking groups have been recognized to date). ‘Less significant’ banks will continue to be supervised by the national supervisory authority, i.e. Finnish Financial Supervisory Authority ([www.finanssivalvonta.fi](http://www.finanssivalvonta.fi)).

**Bank accounts**

**Resident / non-resident status**

- A company is generally considered resident in Finland if its place of effective management is located there.

**Bank accounts for resident entities**

<table>
<thead>
<tr>
<th></th>
<th>Inside Finland</th>
<th>Outside Finland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Currency</strong></td>
<td>• Permitted without restriction, fully convertible</td>
<td>• Permitted without restriction, fully convertible</td>
</tr>
<tr>
<td><strong>Foreign Currency</strong></td>
<td>• Permitted without restriction, fully convertible</td>
<td>• Permitted without restriction, fully convertible</td>
</tr>
</tbody>
</table>

**Bank accounts for non-resident entities**

<table>
<thead>
<tr>
<th></th>
<th>Inside Finland</th>
<th>Outside Eurozone</th>
</tr>
</thead>
</table>
Local Currency | • Permitted without restriction, fully convertible
Foreign Currency | • Permitted without restriction, fully convertible | • Not applicable

**Lifting fees**

- Fixed item-based fees are applied on payments between residents and non-residents.

**BNP Paribas insights**

- Bank account opening and management is straightforward in Finland subject to regular know your customer (KYC) and compliance requirements.

<table>
<thead>
<tr>
<th>BNP Paribas Cash Management Capabilities</th>
</tr>
</thead>
</table>

**Liquidity Management**

<table>
<thead>
<tr>
<th>Physical cash pooling</th>
<th>✔</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notional pooling</td>
<td>✔</td>
</tr>
</tbody>
</table>

**Collections**

<table>
<thead>
<tr>
<th>Cash collections</th>
<th>✔</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheque collections</td>
<td>✔</td>
</tr>
<tr>
<td>Direct debit collections</td>
<td>✔</td>
</tr>
<tr>
<td>Domestic incoming transfers</td>
<td>✔</td>
</tr>
<tr>
<td>International incoming transfers</td>
<td>✔</td>
</tr>
</tbody>
</table>
### Card acquiring

<table>
<thead>
<tr>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in FINLAND or not supported by BNP Paribas</th>
</tr>
</thead>
</table>

### Payments

<table>
<thead>
<tr>
<th>Cash withdrawals</th>
<th>Supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheque payments</td>
<td>Supported by BNP Paribas</td>
</tr>
<tr>
<td>Direct debit payments</td>
<td>Supported by BNP Paribas</td>
</tr>
<tr>
<td>Domestic outgoing transfers</td>
<td>Supported by BNP Paribas</td>
</tr>
<tr>
<td>International outgoing transfers</td>
<td>Supported by BNP Paribas</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Card issuing</th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in FINLAND or not supported by BNP Paribas</th>
</tr>
</thead>
</table>

### Channels

<table>
<thead>
<tr>
<th>Local e-Banking</th>
<th>Not required / permitted in FINLAND or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global e-Banking - Connexis</td>
<td>Supported by BNP Paribas</td>
</tr>
<tr>
<td>SWIFTNet / Global host to host</td>
<td>Supported by BNP Paribas</td>
</tr>
</tbody>
</table>
Market overview

Finland operates a highly automated, efficient payment system, with a strong reliance on electronic payments. There are increasing opportunities for mobile payments, such as for transport.

Payment systems

| **TARGET2-Suomen Pankki** | **Type** | · Real-time gross settlement.  
· Finnish component of the pan-European **TARGET2** system. |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Participant</strong></td>
<td></td>
<td>· 25.</td>
</tr>
</tbody>
</table>
| **Transaction types**     | *Process* | · High-value and urgent EUR-denominated domestic and cross-border credit transfers.  
· Net obligations from the POPS clearing house. |
| **Operating hours**       |          | · 08:00–19:00 EET, Monday to Friday. |
| **Clearing cycle details**| *Cycle*  | · Payments cleared and settled in real time.  
· Interbank payment cut-off time = 19:00 EET. |
| **System holidays**       |          | · **TARGET2** is closed weekends and 1 January, Good Friday,  
Easter Monday, 1 May, 25, 26 December. |

<table>
<thead>
<tr>
<th><strong>POPS</strong></th>
<th><strong>Type</strong></th>
<th>· <strong>Bilateral netting</strong> system.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Participants</strong></td>
<td></td>
<td>· 9 direct, 2 indirect.</td>
</tr>
</tbody>
</table>
| **Transaction types**     | *Process* | · Domestic customer-initiated express payments, high-value  
cheques and bank drafts.                                           |
| **Operating hours**       |          | · 08:00–17:00 EET, Monday to Friday.                           |
| **Clearing cycle details**| *Cycle*  | · The value of a transfer decides the settlement method to  
be used. If the transfer value is over the agreed interbank  
 bilateral limit then the payment is settled directly by  
**TARGET2**. Transfers below the limit are bilaterally netted.  
· Final payment cut-off time = 16:30 EET.  
· End of day settlement of bilateral net positions take place  
in **TARGET2** =17:00 EET. |
**System holidays**

- POPS is closed at weekends and on all Finnish bank holidays.
- Finland’s bank holidays are:
  - 2020: 1, 6 January, 10, 13 April, 1, 21 May, 19, 20 June, 6, 24–26 December.

**STEP2**

**Type**

- Multilateral net settlement system.

**Participants**

- 8 SCT participants and 8 SDD Core participants.

**Transaction types processed**

- Low-value and non-urgent domestic and cross-border SEPA payments (credit transfers (SCTs) and direct debits (SDDs)).

**Operating hours**

- Throughout the day, Monday to Friday.

**Clearing cycle details**

- Payments are processed in batches, with participant balances settled in TARGET2-Suomen Pankki.
- Cut-off time for overnight settlement of SCTs by 08:30 EET = 03:00 EET.
- Cut-off time for same-day settlement of SCTs by 10:45 EET = 10:00 EET.
- Cut-off time for same-day settlement of SCTs by 13:15 EET = 12:30 EET.
- Cut-off time for same-day settlement of SCTs by 15:45 EET = 15:00 EET.
- Cut-off time for same-day settlement of SCTs by 17:20 EET = 17:00 EET.
- In addition to the five daytime cycle above, there are two optional STEP2 SCT overnight cycles:
  - Cut-off time for same-day settlement of SCTs by 22:40 EET = 22:00 EET.
  - Cut-off time for same-day settlement of SCTs by 03:00 EET = 02:00 EET.
  - Cut-off time for same-day settlement of consumer (CORE) SDDs = 02:00 EET.
  - Cut-off time for same-day settlement of B2B SDDs = 13:00 EET.

**System holidays**

- STEP2 is closed weekends and 1 January, Good Friday, Easter Monday, 1 May, 25, 26 December.

### Transaction volumes by instrument

<table>
<thead>
<tr>
<th>Transactions</th>
<th>2017</th>
<th>2018</th>
<th>% change</th>
<th>Value (EUR billion)</th>
<th>2017</th>
<th>2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheques</td>
<td>0.04</td>
<td>0.03</td>
<td>−25</td>
<td>1.2</td>
<td>0.3</td>
<td>−75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
<td>2022</td>
<td>2023</td>
<td>2024</td>
<td>2025</td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
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<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>Credit card payments</td>
<td>130.0</td>
<td>137</td>
<td>5.4</td>
<td>6.7</td>
<td>6.9</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Debit card payments</td>
<td>1,492</td>
<td>1,670</td>
<td>11.9</td>
<td>39</td>
<td>42</td>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td>Credit transfers</td>
<td>944</td>
<td>979</td>
<td>3.7</td>
<td>2,580</td>
<td>2,833</td>
<td>9.8</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,566.4</td>
<td>2,786.03</td>
<td>7.9</td>
<td>2,626.9</td>
<td>2,882.2</td>
<td>8.9</td>
<td></td>
</tr>
</tbody>
</table>

### Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.
- SEPA credit transfers are settled via STEP2.
- All Finnish banks participate in the SEPA credit transfer scheme.
- High-value and urgent domestic and cross-border (within the euro zone) credit transfers can be settled in real time via TARGET2-Suomen Pankki.
- High-value, domestic and urgent 'express transfers' can also be processed via POPS.
- High-value and urgent cross-border credit transfers can also be settled with end-of-day value via the Euro Banking Association’s EURO1 system. Four banks in Finland participate directly in EURO1.
- High-value cross-border credit transfers in domestic and other currencies can be processed via SWIFT, correspondent banking and bank branch networks.
- In November 2017, the European Payment Council’s SCT Inst scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) went live across all SEPA countries. The scheme enables the transfer of funds (the maximum threshold value for SCT Insts is EUR 15,000) to another account in less than ten seconds. There are four SCT Inst participants in Finland.
- EBA Clearing and Italy’s SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. The new system went live on the launch date of SCT Insts in November 2017. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments. RT1 was launched in Finland in June 2018.
- A new pan-European service for the settlement of instant payments in central bank money, TIPS, was launched on November 30, 2018. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies.

### Direct debits

- Direct debits are used for regular payments, such as utility bills.
- There are a number of alternative domestic direct debit schemes in Finland, including direct invoicing, e-invoicing and SEPA direct debits.
- Direct invoicing allows the payer to verify payment information before the payment is made.
- E-invoicing, offered by banks, enables clients to send electronic invoices directly to their corporate and consumer customers.
- SEPA direct debits are settled on a same-day basis via STEP2.

### Cheques

- The cheque is not a common cashless payment instrument due to high processing costs and the withdrawal of the cheque guarantee.
- Cheques are primarily used for high-value business payments.
- Cheques are processed by POPS and settled via TARGET2-Suomen Pankki.
- Cheque payments above a bilaterally agreed settlement threshold are settled directly via TARGET2-Suomen Pankki.

### Card payments

- Card payments are increasingly popular, especially for retail transactions.
- There were over 10 million payment cards in circulation at the end of 2018; 31% were credit cards and 42% offline debit cards. Debit cards accounted for 91% of all card payments in 2018.
- Contactless card technology is available in Finland and in 2018 contactless payments accounted for 35% of all card payments. The upper limit of contactless payments was raised in April 2019 to EUR 50.
- Most payments are processed by Nets.
- All cards are SEPA-compliant with EMV chips.

### ATM/POS

- There were approximately 1,606 ATMs in Finland at the end of 2018.
- All ATMs and POS terminals are EMV-compliant.

### Electronic wallet

- There are a number of electronic wallet schemes in Finland. E-purse cards are issued by some public transport operators as well as phone and retail companies.

- International pre-paid cards are available.

- Mobile payment schemes are available. The Siirto instant mobile payment scheme enables interoperability between different mobile apps.

### BNP Paribas capabilities

- BNP Paribas supports customers in Finland through non-resident accounts that can be located in any SEPA country. In addition to its comprehensive range of international capabilities, the bank offers a variety of local payment and collection capabilities, including tax, social security and salary payments.

### Electronic banking

### Market overview

- Electronic banking services are available from all banks.
- Electronic banking standards have been agreed by the banks in concert with the Federation of Finnish Financial Services. Domestic standards have been superseded by the adoption of the ISO 20022 XML standard (SEPA).
- Account reporting also uses the ISO 20022 XML standard alongside the Finnish electronic account statement (KTO).
- Banks have established a common security standard (PATU) for securing data transfers to their customers; following the introduction of SEPA, PATU has been gradually replaced with the international Web Services (WS) and Public Key Infrastructure (PKI) standards.
• Transaction and balance reporting and transaction initiation services are available on a domestic and cross-border basis.
• Finance Finland (FFI) operates the TUPAS identification service enabling financial institutions to identify companies and individuals using electronic banking services – in 2018, the Tupas service authenticated customers 125 million times. It has also developed a Nordic XML-based standard, MIG (Message Implementation Guideline), based on C2B payment initiation, for e-banking, in conjunction with its Danish, Norwegian and Swedish counterparts.
• Finvoice is an electronic invoicing standard among banks which facilitates intercompany invoicing. The service produces an XML-based invoice, which is sent to the payer in electronic format via the internet.
• Online and mobile banking services are provided by all of Finland’s banks. It is estimated that 90% of Finnish residents use online banking services.

BNP Paribas capabilities

• Customers in Finland have access to BNP Paribas' full-range of web-based, host-to-host and SWIFT-based connectivity solutions.

Liquidity management

Domestic: notional pooling

• Domestic notional cash pools can be expensive to operate in Finland because of the restrictions on banks offsetting credit and debit balances. Cross-guarantees are required by banks to allow them to offset balances.
• Resident and non-resident bank accounts can participate in the same notional pool structure, as can different legal entities.
• Limited liability companies only can participate in a cash pool.
• Interest-rate enhancement is offered as an alternative, particularly in the pan-Nordic region.
• Finland’s rules on transfer-pricing and thin capitalisation may affect intercompany cross-guarantees.
• Finland’s rules on thin capitalisation are applied to interest payments to parent companies.

Domestic: cash concentration

• Domestic cash concentration structures are widely available.
• Resident and non-resident bank accounts can participate in the same cash concentration structure, as can different legal entities.
• Limited liability companies only can participate in a cash pool.
• Commonly used structures include zero balancing, target balancing, threshold balancing or single legal account pooling (balance netting).
• Restrictions apply to intercompany lending to a parent company outside of the EU.

Cross-border notional pooling

• Cross-border notional cash pools can be expensive to operate in Finland because of the restrictions on banks offsetting credit and debit balances. Cross-guarantees are required by banks to allow them to offset balances.

Cross-border cash concentration

• Cross-border cash concentration structures are available but are typically on a regional (Nordic) basis.
• Restrictions apply to cross-border cash concentration structures involving companies outside of the EU and European Economic Area.
BNP Paribas insights

- Please contact your BNP Paribas relationship manager for information on Finnish and pan-Nordic cash pooling.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted for residents and non-residents.

Demand deposits

- Demand deposits are available for residents and non-residents.

Time deposits

- Time deposits are a popular instrument form with small companies in Finland.
- Most time deposits are issued with maturities below one month.

Certificates of deposit

- Domestic banks issue certificates of deposit with a range of tenors.
- The minimum investment is EUR 150,000.

Treasury (government) bills

- The State Treasury issues Treasury bills denominated in EUR and USD with terms ranging from one day to one year.

Commercial paper

- Commercial paper is issued by companies with a range of maturities.

Money market funds

- Money market funds are available.

Repurchase agreements

- Repurchase agreements are commonly available in Finland.

Banker’s acceptances

- Banker’s acceptances are not used in Finland.

BNP Paribas insights

- Please contact your BNP Paribas relationship manager for information and support on liquidity management within Finland, on a pan-Nordic, pan-European or global basis.
# BNP Paribas Trade Finance Capabilities

## Trade payments

<table>
<thead>
<tr>
<th>Feature</th>
<th>Supported/Finland Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentary credits</td>
<td>✔️ Supported by BNP Paribas</td>
</tr>
<tr>
<td>Documentary collections</td>
<td>✔️ Supported by BNP Paribas</td>
</tr>
<tr>
<td></td>
<td>☐ Not required / permitted in FINLAND or not supported by BNP Paribas</td>
</tr>
</tbody>
</table>

## Guarantees

<table>
<thead>
<tr>
<th>Feature</th>
<th>Supported/Finland Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank guarantees</td>
<td>✔️ Supported by BNP Paribas</td>
</tr>
<tr>
<td>Standby letters of credit</td>
<td>✔️ Supported by BNP Paribas</td>
</tr>
<tr>
<td></td>
<td>☐ Not required / permitted in FINLAND or not supported by BNP Paribas</td>
</tr>
</tbody>
</table>

## Supply chain management

<table>
<thead>
<tr>
<th>Feature</th>
<th>Supported/Finland Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>✔️ Supported by BNP Paribas</td>
</tr>
<tr>
<td>Payables</td>
<td>✔️ Supported by BNP Paribas</td>
</tr>
<tr>
<td>Inventory</td>
<td>✔️ Supported by BNP Paribas</td>
</tr>
<tr>
<td></td>
<td>☐ Not required / permitted in FINLAND or not supported by BNP Paribas</td>
</tr>
</tbody>
</table>
Trade channels

<table>
<thead>
<tr>
<th>Channel</th>
<th>Supported by BNP Paribas</th>
<th>Required / permitted in FINLAND or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connexis Trade</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Connexis Supply Chain</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>SWIFTNet Trade for Corporates</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Connexis Connect</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

International trade

General trade rules

- As a member of the EU, Finland follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

Trade agreements

- The EU has trade agreements in place with over 30 countries.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), Australia, Mercosur (the Southern Common Market), Uruguay, Myanmar and the USA.

Imports / exports

<table>
<thead>
<tr>
<th>Imports</th>
<th>Foodstuffs</th>
<th>Petroleum and petroleum products</th>
<th>Chemicals</th>
<th>Transport equipment</th>
<th>Iron and steel</th>
<th>Machinery</th>
<th>Computers</th>
<th>Electronic industry products</th>
<th>Textile yarn and fabrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Import sources</td>
<td>Germany</td>
<td>Sweden</td>
<td>Russia</td>
<td>Netherlands</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(17.7%)</td>
<td>(15.8%)</td>
<td>(13.1%)</td>
<td>(8.7%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>Electrical and optical equipment</td>
<td>Machinery</td>
<td>Transport equipment</td>
<td>Paper and pulp</td>
<td>Chemicals</td>
<td>Basic metals</td>
<td>Timber</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Export markets

<table>
<thead>
<tr>
<th>Markets</th>
<th>Germany (14.2%)</th>
<th>Sweden (10.1%)</th>
<th>USA (7%)</th>
<th>Netherlands (6.8%)</th>
<th>China (5.7%)</th>
<th>Russia (5.7%)</th>
<th>UK (4.5%)</th>
</tr>
</thead>
</table>

Import / export volumes

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- goods USD m</td>
<td>74,971</td>
<td>59,067</td>
<td>58,863</td>
<td>67,392</td>
<td>74,438</td>
</tr>
<tr>
<td>- services USD m</td>
<td>26,954</td>
<td>25,753</td>
<td>26,870</td>
<td>30,027</td>
<td>32,835</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- goods USD m</td>
<td>73,458</td>
<td>57,109</td>
<td>58,459</td>
<td>65,566</td>
<td>73,457</td>
</tr>
<tr>
<td>- services USD m</td>
<td>30,281</td>
<td>28,825</td>
<td>29,730</td>
<td>31,473</td>
<td>35,587</td>
</tr>
<tr>
<td><strong>Current account as % GDP</strong></td>
<td>-1.0</td>
<td>-0.7</td>
<td>-0.8</td>
<td>-0.7</td>
<td>-0.4</td>
</tr>
</tbody>
</table>

Trade finance - imports

**Documentation**

- Documentation is not required for imports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to import goods into Finland from outside the EU:
  - customs declaration
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).
- It is also good practice to send a commercial invoice.

**Import licences**

- Import licences are required for items with quantitative restrictions from outside the EU and for items from within the EU that are deemed to be of national interest or of a strategic nature.
Import taxes and tariffs

- Tariffs are set according to the EU customs code for all imports from outside the EU, with higher tariffs for agricultural imports.

Financing requirements

- None

Risk mitigation

- None

Prohibited imports

- Finland prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.
- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

Trade finance - exports

Documentation

- Documentation is not required for exports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to export goods from Finland outside the EU:
  - customs declaration
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).

Export licences

- Licences are required when exporting goods subject to international controls and certain items subject to strategic controls.

Export taxes and tariffs

- None

Financing requirements

- None
Risk mitigation

- Finnvera provides state-supported export credit insurance.
- Export credit insurance is also available from private insurance companies.
- Export financing is available privately from commercial banks.

Prohibited exports

- Finland prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

Regulatory requirements

Reporting regulations

- Statistics Finland collects information for balance of payments statistics via quarterly and annual surveys.
- Approximately 90 to 140 companies are required to complete and file quarterly surveys and between 1,000 and 1,200 companies are required to complete and file annual surveys on foreign assets and liabilities. The data are collected via an online service from the largest enterprises and entities operating in Finland that have significant foreign or domestic financial assets and liabilities.

Reporting method

- Companies are required to return the quarterly surveys within 30 working days of the end of the reporting quarter and return annual surveys within four months of the end of the reporting year.

Exchange controls

- Finland does not apply exchange controls.

Anti-money laundering / counter-terrorism financing

- Finland has enacted anti-money laundering and counter-terrorist financing legislation, including legislation implementing the fourth EU anti-money laundering directive (Act amending the Act on Preventing Money Laundering and Terrorist Financing (573/2019); Directive (EU) 218/843 of the European Parliament; the Penal Code as amended; and the Act on Preventing Money Laundering and Terrorist Financing (444/2017); and the Act on Financial Intelligence Unit (445/2017). The Financial Supervisory Authority has also issued a series of linked Standards.
- A Financial Action Task Force (FATF) member, Finland observes most of the FATF-49 standards.
- Finland has established a financial intelligence unit (FIU), the Money Laundering Clearing House, within the National Bureau of Investigation (NBI). The FIU is a member of the Egmont Group.
- Account opening procedures require formal identification of the account holder, unless the account holder is a bank or institution from EU/EEA member states or from a State whose money laundering regulations meet international standards.
- If it is likely that a customer is acting for another person, the identity of this person shall also be established by all available means. Beneficial owners must also be identified.
- All financial institutions and a number of non-financial institutions have to identify clients for transactions exceeding EUR 15,000.
- Customers conducting occasional wire transfers must be identified where the transfer of funds is made with cash and the individual amount exceeds EUR 1,000 or involves several linked transactions which exceed EUR 1,000.
In instances where an insurance premium for the period of insurance is no more than EUR 1,000, or where the single premium is no more than EUR 2,500, a simplified due diligence procedure applies.

Financial institutions in the broadest sense are required to record and report suspicious transactions to the FIU.

All cross-border movements of currency or monetary instruments of EUR 10,000 or more must be declared.

Records must be kept for at least five years after the transaction or relationship has ended.

* Data as at July 2019.

### Taxation

**Resident / non-resident**

- Under domestic rules, a company is considered resident in Finland if it is registered in Finland and incorporated under Finnish law.
- Tax treaty residence does not affect the status of a person as subject to unlimited or limited tax liability in Finland. A tax treaty may, however, limit the taxation in Finland substantially if Finland is not the taxpayer’s state of residence for tax treaty purposes.
- Most of Finland’s tax treaties refer to the place of effective management as the determining rule for companies in dual residence situations.

**Tax filing**

- The Finnish corporate tax year is the financial year of the company or the financial years that have ended during one calendar year. If two or more financial years end during the calendar year, the years are combined for tax purposes.
- Tax returns are due within four months of the company's financial year-end.
- Companies are required to make advance corporate tax payments (collected in monthly instalments). Generally, the tax authorities calculate the total amount of the advance payments for the tax year based on the taxable profit of the latest tax assessment. The taxpayer is entitled to request the advance taxes to be raised or lowered if projected taxable income is realistically expected to be different from what had been projected in the previous calculation.
- If a company is in a loss-making position, or has substantial and confirmed tax losses from previous years, no advance taxes are imposed.
- Consolidated returns are not permitted; each company is required to file a separate tax return. However, profits may be transferred between eligible Finnish companies through a group contribution regime. The companies must engage in business activities, there must be at least a 90% direct or indirect holding between the entities and the ownership must have lasted for the full tax year.

**Financial instruments**

- In general, the Finnish tax laws regarding financial instruments apply a realisation principle. However, special legislation exists in certain industries (insurance, pension, and credit institutions) as well as regarding unrealised gains and losses arising mainly from financial instruments held for trading purposes. These gains are treated as taxable income if the corresponding income is booked to the profit and loss account. Similarly, unrealised losses associated with such financial instruments are treated as tax-deductible expenses if the corresponding expenses have been booked to the profit and loss account.
- Further, as a general rule, the transfer of treasury shares of a company is not subject to capital gains taxation and, accordingly, capital losses of such a transfer are not tax deductible. However, the acquisition cost of treasury shares in connection with employee compensation plans is deductible under certain conditions.
- Please also refer to Foreign exchange gains and losses.
Interest and financing costs

- Interest and financing costs are subject to the general transfer pricing and thin capitalisation rules.
- There is also a general anti-avoidance rule applying the substance over form principle.
- Interest costs relating to loans which represent investments comparable to equity may be regarded as dividends on the basis of the general anti-avoidance rule.

Foreign exchange

- In general, foreign exchange is subject to a parallel tax regime (i.e. taxed as a separate item). However, the foreign exchange gain/loss will be treated as part of the underlying transaction if an asset or a liability is measured at fair value for tax purposes.
- In broad terms, unrealised foreign exchange gains/losses and index gains/losses from receivables and debts connected to business activities (i.e. not to other income or farming) are treated as taxable income and a deductible cost if the corresponding gain or loss is recognised in the profit and loss account. Under certain conditions, and provided there is a connection to the taxpayer's business activities, the above also applies to unrealised gains and losses of derivatives (e.g. due to a change in their fair value) used to hedge against foreign exchange rate fluctuations, provided the gain or loss is recognised in the profit and loss account. Unrealised gains/losses on derivatives used to hedge against index gains/losses are – according to the wording of the law – not taxable/deductible.
- Special rules in relation to foreign exchange and index gains/losses apply to credit institutions, pension institutions, insurance institutions and certain financial instruments held for trading purposes.
- For Finnish accounting purposes, foreign currencies are converted to euros. Taxable income is determined in euros.

Advance tax ruling availability

- A resident or non-resident taxpayer may apply for a binding advance ruling, subject to a charge, from the provincial tax offices or from the Central Tax Board. Such rulings are binding on the authorities, but not the taxpayer.
- The Central Tax Board issues binding advance rulings on matters that are considered to be important or that may set a precedent or on those of significant value to the taxpayer.

Capital gains tax

- In principle, capital gains received by a Finnish company are taxable as ordinary business income, at a rate of 20%.
- Gains derived from the sale of shares are not taxable for a Finnish corporate taxpayer when the shares sold belong to fixed assets that are deemed to be part of the seller's business income-generating assets (rather than passive income) if:
  - The seller company owns at least 10% of the share capital of the entity and the dividend-distributing shares contribute to this equity stake;
  - The shares have been held for at least one year and the alienation does not take place more than one year after the seller company's ownership in the entity falls below the 10% threshold;
  - The disposed shares are not shares in a real estate company or limited liability company whose business activities consist principally of governing or owning real estate; and
  - The disposed shares are of a Finnish company or a foreign company listed in the EU Parent-Subsidiary Directive or a company resident in a country that has concluded a tax treaty with Finland, provided the treaty provisions on dividends are applicable to distributions by the company.
- Foreign-sourced capital gains (other than those mentioned above) derived by a Finnish company are taxable in Finland. Double taxation relief may be available for the foreign tax paid.
- A non-resident is not liable to Finnish tax on capital gains derived from the sale of shares in a Finnish company (with minor exceptions, related mainly to real estate companies), unless the non-resident company has a PE in
Finland.

- Gains on the sale of a company's premises may be rolled over into a new building or a share in a new building provided the new building is purchased in either the same or the following two tax years.

**Withholding tax (subject to tax treaties)**

<table>
<thead>
<tr>
<th>Payments to:</th>
<th>Interest</th>
<th>Dividends</th>
<th>Royalties</th>
<th>Other income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident entities</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>N/A</td>
</tr>
<tr>
<td>Non-resident entities</td>
<td>0/20%</td>
<td>0/20%</td>
<td>0/20%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

- Interest paid to non-resident companies is generally not subject to Finnish withholding tax, except for interest on permanent loans granted in lieu of a capital contribution, to which a rate of 20% applies on the gross amount (unless an applicable tax treaty or the above described rules provide for a lower rate).
- Dividends paid to a non-resident company are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty or an exemption applies under the EU Parent-Subsidiary Directive. If dividends are paid to an EEA resident shareholder, domestic non-discrimination provisions may lower the withholding tax rate to a level corresponding to similar domestic distributions.
- Royalty payments made to a non-resident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty or an exemption applies under the EU Interest and Royalties Directive.

**Tax treaties / tax information exchange agreements (TIEAs)**

- Finland has income tax treaties in force with all of its major trading partners.
- Finland has exchange of information relationships with 119 jurisdictions through 71 double tax treaties and 49 TIEAs.
- Finland, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has signed a multilateral co-operation agreement (the MCAA). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE). With country-by-country reporting, tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA will start in 2017–18 on 2016 information. There are currently 92 signatory countries.
- Other signatory countries are:-
  - Australia, Austria, Belgium, Chile, Costa Rica, Czech Republic, Denmark, Estonia, France, Germany, Greece, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Poland, Portugal, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland and United Kingdom.
**Thin capitalisation**

- There is a general limit on the deductibility of intragroup interest expense: interest expense on loans between related parties may be deducted only up to 25% of the company's adjusted taxable income. Net interest expense up to EUR 500,000 is fully deductible (but if the net interest expense exceeds EUR 500,000, it is deductible only up to 25% of the company's adjusted taxable income.
  - The net expense paid to third parties is deductible up to EUR 3 million even if the 25% limit is lower.
  - The implementation of the EU ATAD also extends the interest expense limitation rules to apply to loans from third parties.

**Transfer pricing**

- Finland follows [OECD](https://www.oecd.org) guidelines and, generally, all [OECD](https://www.oecd.org)-approved methods may be applied.
- Finland's [transfer pricing](https://www.deloitte.com) rules apply arm's-length pricing to all transactions, including the purchase/sale of inventory, and the provision of services and financial facilities, such as the making of loans and the giving of guarantees.
- The tax authorities may adjust the profits of a Finnish company if the taxpayer has entered into a transaction under conditions that differ from those that would have been agreed upon between unrelated parties. Any profits that would have accrued to the company, but for the non-arm's length terms may be included in the company's profits.
- Provisions requiring [transfer pricing](https://www.deloitte.com) documentation are in place, and in general, the documentation obligation applies to Finnish companies that have transactions with foreign group companies. The documentation requirements also apply to transactions between a permanent establishment in Finland and its foreign head office.
- Small and medium-sized enterprises (SMEs) are exempt from the documentation obligation subject to certain conditions:
  - The SME's total number of employees must be fewer than 250;
  - Either its balance sheet total must not exceed EUR 43 million or the turnover must not exceed EUR 50 million; and
  - The SME criteria as enumerated in Commission Recommendation 2003/361/EC are applicable.
- When considering the fulfillment of the above criteria, both the Finnish entity/branch itself and all its associated companies are taken into account as a whole.
- Transactions between Finnish entities need not be documented. However, these transactions should meet the arm's-length principle/conditions and may be subject to [transfer pricing](https://www.deloitte.com) adjustments.

**Stamp duty**

- There is no [stamp duty](https://www.deloitte.com) in Finland.

**Cash pooling**

- Finland does not have specific tax rules for [cash pooling](https://www.deloitte.com) arrangements.

**Financial transactions / banking services tax**

- Transfer tax is imposed on transfers of real estate and securities. The transfer tax on real estate is 4% of the transfer price, and 1.6% on securities.
- Transfers of shares in real estate-rich companies or holding companies are subject to a transfer tax of 2%.

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