

Country Crowdfunding Factsheet

Finland

Date: June 2018



EUROPEAN
CROWDFUNDING
NETWORK



European Crowdfunding Network

The European Crowdfunding Network AISBL (ECN) is the professional network promoting adequate transparency, (self) regulation and governance while offering a combined voice in policy discussion and public opinion building, incorporated as an international not-for-profit organization in Brussels, Czech Republic.

We support our members in carrying initiatives aimed at innovating, representing, promoting and protecting the European crowdfunding industry. We aim to increase the understanding of the key roles that crowdfunding can play in supporting entrepreneurship of all types and its role in funding the creation and protection jobs, the enrichment of European society, culture and economy, and the protection of our environment.

In that capacity we help developing professional standards, providing industry research, as well as, professional networking opportunities in order to facilitate interaction between our members and key industry participants. On behalf of our members, the ECN will maintain a dialogue with public institutions and stakeholders as well as the media at European, international and national levels.



This document has been extracted from Annex II of the study " Identifying market and regulatory obstacles to crossborder development of crowdfunding in the EU", published in November 2017 and funded by the European Commission (DG FISMA).

Contents

Finland.....	4
Overview	4
A. Role of alternative finance.....	4
B. Regulatory context	7
C. Disclosures & safeguards	12
D. Support policies	13

Finland

Overview

Finland passed a regulation on Crowdfunding on 1 September 2016. The Crowdfunding Act is part of the key government projects and gives businesses more options to finance their growth, according to the Ministry of Finance. Through the regulation, the acquisition of debt- and securities-based Crowdfunding is made easier for businesses.

A. Role of alternative finance

Market size

In 2015, the size of the Crowdfunding market was approximately EUR 84.4m. This was 48% higher than the previous year, according to market estimates: investment-based Crowdfunding EUR 15.5m (equity capital collected from people for companies); loan-based Crowdfunding approximately EUR 68.9m (peer-to-peer loans mediated to consumers EUR 46.3m and loans mediated to companies EUR 22.6m).¹

Trend

The growth rate compared to 2014 is approximately 48%.²



Figure: Crowdfunding activity in Finland from 2014 to 2017, Source: TAB

¹ O. Gajda, "Finnish Crowdfunding Act – Ministry of Finance provides answers" ([link](#))

² Ibid.

Total Crowdfunding Platforms

In 2014, six Crowdfunding Platforms were reported, according to a 2015 study by the European Commission.³

Some examples of platforms active right now are:

- Investdor.com (equity and debt) is a Helsinki-based fintech platform that operates across the European Economic Area.
- FellowFinance.fi is the biggest marketplace lending platform in Finland. Founded in 2013, it offers high-quality and secure online marketplace services in Europe.
- Vauraus.fi (equity and debt) was launched in 2011.
- Mesenaatti.me was launched in 2012 as a rewards- and Donation-based Crowdfunding Platform

Crowdfunding models

Equity-based Crowdfunding	<p>According to the Finnish Ministry, Equity-based Crowdfunding in Finland reached approximately EUR 15.5m in 2015.⁴</p> <p>The 2nd European Alternative Finance Industry Report reports that EUR 6.2m was raised in 2015 by Equity-based Crowdfunding.⁵</p> <p>Until now, doing Equity-based Crowdfunding in Finland has required an investment firm license from the Finnish Financial Supervisory Authority (FIN-FSA). The</p>
---------------------------	---

³ European Commission (2015). "Crowdfunding: Mapping EU Markets and Events Study". 30 September ([link](#))

⁴ O. Gajda, "Finnish Crowdfunding Act – Ministry of Finance Provides Answers" ([link](#))

⁵ Zhang, B., et al (2016): "Sustaining Momentum. The 2nd European Alternative Finance Industry Report". Cambridge University ([link](#))

	<p>license was a tall order for smaller aspiring Crowdfunding Platforms, and it has slowed the market entry of new players.</p> <p>In the framework set by the new Act, Crowdfunding can be organised by applying for registration at the FIN-FSA provided that the service provider meets a set of criteria. Registration is a considerably more affordable alternative to the investment firm license; therefore, the new procedure will pave the way for new entrants into the market.⁶</p>
Lending-based Crowdfunding	<p>Lending-based Crowdfunding in Finland reached approximately EUR 68.9m in 2015 (according to the Finnish Ministry).</p> <p>The 2nd European Alternative Finance Industry Report highlights the following numbers: Peer-to-Peer Consumer Lending (EUR 34.4m 2015) and Peer-to-Peer Business Lending (EUR 20m 2015).</p> <p>Peer-to-peer Consumer Lending falls within the scope of the Consumer Protection Act. The Ministry of Justice is currently specifying the regulation of Peer-to-Peer Consumer Lending as part of the implementation of the Mortgage Credit Directive. A Government proposal on the matter will be submitted to Parliament in April 2016.⁷</p>

⁶ Crowfundinsider ([link](#))

⁷ O. Gajda, "Finnish Crowdfunding Act – Ministry of Finance Provides Answers" ([link](#))

B. Regulatory context

Country	Finland
Summary Recent developments in Crowdfunding regulation	<ul style="list-style-type: none"> • The Finnish Crowdfunding Act ("CFA") took effect in 2016, laying down provisions on acquiring, offering and professionally mediating Crowdfunding using the Lending Model and Equity Model. • A Decree of the Ministry of Finance on the disclosure obligation of a Crowdfunding recipient took effect in 2016, laying down provisions on the content and structure of the basic information to be provided to potential investors in connection with the offering. • New national regulation was provided for peer-to-peer Crowdfunding using the Lending Model, and such activities now fall within the scope of consumer protection provisions and registration requirements under the Finnish Consumer Protection Act ("CPA").
Current/planned Crowdfunding regulation	
General regulation	<ul style="list-style-type: none"> • Pursuant to the CFA, mediating Investment-based or Lending-based Crowdfunding requires registration in the register of Crowdfunding intermediaries maintained by the FIN-FSA. • Investment-based Crowdfunding means an equity or debt investment for the purpose of acquiring, offering or mediating, in respect of the Crowdfunding recipient, a share of ownership or of debt, or other stake based on a financial return, specified in a subscription agreement or investment agreement concerning a financial instrument or concerning securities other than those referred to in the SMA, or in a comparable agreement. • Pursuant to the Finnish Act on Credit Institutions ("ACI"), an authorisation to act as a credit institution is required if repayable funds are received from the public. • Pursuant to the CPA, offering or mediating Lending Model Crowdfunding to consumers requires registration in the register of credit providers and peer loan intermediaries maintained by the Regional State Administrative Agency of South Finland.

	<ul style="list-style-type: none"> Collecting funds without compensation by appealing to the public is subject to the provisions of the Finnish Money Collection Act ("MCA") and a money collection permit granted by authorities.
Prospectus requirement	<ul style="list-style-type: none"> A Crowdfunding recipient offering the public securities as referred to in the SMA may fall within the scope of the obligation to publish a prospectus. Pursuant to the CFA, Crowdfunding recipients do not need to publish a prospectus if the securities are offered in Finland and their combined consideration over 12 months is less than EUR 5m.
AIFMD regulation	The AIFM Directive and the act which implements it, the Finnish Act on Alternative Investment Fund Managers ("AIFMA"), mainly affect Equity-based Crowdfunding in the event that a project company would have several investors (at least two) and the company would have a collective investment policy.
Payment service regulation	Receiving funds from investors may be considered money remittance in accordance with the Finnish Payment Institutions Act ("PIA") implementing the Payment Services Directive in Finland.
Further possible requirements	<ul style="list-style-type: none"> The Act on Registration of Certain Creditors The Securities Market Act The Investment Services Act The Act on Detecting and Preventing Money Laundering and Terrorist Financing
Regulatory barriers	
Inbound	<p>Foreign Crowdfunding Platform addressing Finnish investors</p> <p><i>Crowdfunding Platform</i></p> <ul style="list-style-type: none"> If an Equity Model platform qualifies as an investment services provider as defined in the ISA, the platform may enter the Finnish Crowdfunding market through passporting procedure. If a platform receiving repayable funds from the public qualifies as a credit institution under the laws of the home Member State, it may access the Finnish Crowdfunding market by either passporting its licence and operating on a cross-border basis or establishing a branch in Finland by notifying the supervisory authority of its home Member State. Where a foreign Crowdfunding Platform mediates Lending

Model or Equity Model Crowdfunding in Finland through a passporting procedure, certain provisions of the CFA become applicable.

- An Equity Model or Lending Model Crowdfunding Platform from another Member State may be registered in the register of Crowdfunding intermediaries maintained by the FIN-FSA.
- Under the CFA, the obligation to register as a Crowdfunding intermediary does not apply to economic operators located in another state of the European Economic Area that temporarily mediate Crowdfunding in Finland.
- If a foreign Crowdfunding Platform does not have a MiFID licence and its intended activities do not fall within the scope of the CFA, the foreign Crowdfunding Platform may be required to apply for an authorisation in order to offer financial services in Finland.
- A foreign platform using the Donations Model must first establish a branch in Finland and apply for a money collection permit.

Company or project

- Companies/projects seeking Crowdfunding in Finland fall within the scope of Finnish prospectus requirements.
- Crowdfunding recipients may, in cases where securities are offered in Finland through a registered Crowdfunding intermediary, benefit from an exemption from the obligation to publish a prospectus in connection with the public offering of securities.

Foreign Crowdfunding Platform addressing Finnish companies/projects

Crowdfunding Platform

- In case the foreign Crowdfunding platform does not become active in Finland or approach Finnish investors, Finnish legislation is not likely to apply to its operations and the Crowdfunding Platform will not be required to apply for an authorisation or registration in Finland.

Company/project

- A Crowdfunding recipient offering securities, as referred to in the SMA, to the public in Finland may fall within the scope of the obligation to publish a prospectus.
- Crowdfunding recipients may benefit from an exemption from the obligation to publish a prospectus in connection

	<p>with the public offering of securities in cases where securities are offered in Finland.</p> <ul style="list-style-type: none"> • Nevertheless, the Crowdfunding recipient is required to publish a document containing true and sufficient information about the factors that are likely to materially influence the Crowdfunding recipient's value or its solvency.
Outbound	<p>Finnish Crowdfunding Platform addressing foreign (EU) investors</p> <p><i>Crowdfunding Platforms</i></p> <ul style="list-style-type: none"> • A Finnish authorised credit institution, payment institution, fund company or investment service company that operates as a Crowdfunding Platform may become active based on its licence obtained from the FIN-FSA without having to apply for another licence in the host Member State by following a passporting procedure in accordance with MiFID. • Alternatively, the platform may establish a branch in another Member State. • However, Crowdfunding Platforms using the Rewards Model and Donations Model fall outside the scope of the MiFID passporting procedure and therefore such platforms may require relevant local licences before they can expand their business to another Member State. • A Finnish Crowdfunding Platform registered as a Crowdfunding intermediary under the CFA may mediate Crowdfunding using the Equity Model and Lending Model to another state of the European Economic Area provided that such activities are not prohibited or limited in the state concerned. <p><i>Company/project</i></p> <ul style="list-style-type: none"> • Finnish regulations concerning the obligation to publish a national prospectus do not apply in cases where a Finnish company/project offers securities by means of Crowdfunding to another Member State. <p>Finnish Crowdfunding Platform addressing companies/projects in another EU country</p> <p><i>Crowdfunding Platform</i></p> <ul style="list-style-type: none"> • In case a Finnish Crowdfunding Platform approaches Finnish investors and presents foreign companies or projects on its platform, the Crowdfunding Platform must either register as a Crowdfunding intermediary pursuant to

	<p>the CFA or apply for an investment service company operating licence or another applicable authorisation or registration.</p> <ul style="list-style-type: none"> The Crowdfunding Platform will be subject to Finnish Crowdfunding regulations. <p><i>Company/project</i></p> <ul style="list-style-type: none"> In case a foreign company/project offers securities as referred to in the SMA through a Finnish Crowdfunding platform in Finland, the foreign company/project may be subject to the obligation to publish a prospectus. The SMA and the CFA contain exemptions from the obligation to publish a prospectus. Notwithstanding, the foreign company/project may be subject to prospectus requirements pursuant to its home Member State.
Impact of EU regulation	
Prospectus regulations	The European Prospectus Directive has been implemented in Finland through the SMA.
AIFM Directive	The AIFM Directive and the implementing AIFMA mainly affect Equity-based Crowdfunding in the event that a project company would have several investors (at least two) and the company would have a collective investment policy.
MiFID/MiFID II	<ul style="list-style-type: none"> The CFA implements Article 3 of MiFID I by facilitating the mediation of Crowdfunding with lighter administrative requirements in respect of Investment-based Crowdfunding instead of requiring an operating licence procedure. MiFID I and MiFID II may be applied in relation to Crowdfunding where a Finnish Crowdfunding Platform intends to operate in another EU Member State by applying for a MiFID licence.
PSD/PSD II	<ul style="list-style-type: none"> The Payment Services Directive was implemented through the PIA and Payment Services Act. In general, any transfer of funds through the operator of a Crowdfunding Platform is regarded as money remittance services within the meaning of the PIA and subject to authorisation requirement in accordance with the PIA. Small-scale activities may benefit from an exemption from the authorisation requirement.

C. Disclosures & safeguards ⁸

The Finnish Consumer Protection Act regulates domestic and distance selling to consumers as well as the distance selling of financial services and instruments. No conduct that is inappropriate or otherwise unfair from the point of view of consumers shall be allowed in marketing. In addition, false or misleading information shall not be conveyed in marketing. It is also forbidden in marketing or consumer relations to refrain from providing relevant information which the consumer needs for a proper purchase decision.

The Consumer Protection Act also regulates the offering of consumer credit and sets out several obligations with respect to the offering of credit to consumers. These obligations include, for example, the duty of disclosure of a company offering consumer credit with regard to interest rate and other costs related to the credit, amount of credit and credit limit, duration of the credit agreement, cash price of the commodity, aggregate amount of the credit, credit costs and the number of instalments.

Additionally, obligations include, e.g., the duty to provide the consumers with sufficient information on the credit before entering into the credit agreement, the obligation of the company offering the credit to act in accordance with principle of responsibility, the duty to assess the creditworthiness of the consumer before entering into the credit agreement, the obligation to verify the identity of the consumer applying for the credit and the duty to inform the consumer if the creditor's rights under the credit agreement or the agreement itself will be assigned to a third party.

In addition, a Crowdfunding Platform provider offering consumer credit has an obligation to register in the register for creditors pursuant to Act on Registration of Certain Creditors (*Laki eräiden luotonantajien rekisteröinnistä*) provided that a payment institution license or a credit institution license is not required with respect to offering of the services.

Consumer complaints may be made to the Finnish Consumer Disputes Board. The Board issues non-binding recommendations. If a larger number of consumers have a dispute with the same business regarding the same matter, or if a business has concluded a contract containing an unfair term with many consumers, a group complaint can be filed by the Finnish Consumer Ombudsman to the Consumer Disputes Board after considering a case.

A case may be heard as a class action if several persons have claims against the same defendant based on the same or similar circumstances. A class action is brought by the Consumer Ombudsman, who also represents the class.

⁸ ECN, Review of Crowdfunding Regulation, 2014

D. Support policies

Overview

The Crowdfunding Act came into force on 1 September 2016.

Market Supervision

Financial Supervisory Authority⁹ with support by the Finnish Ministry of Finance.¹⁰

Crowdfunding models

Support measures for fundraisers: the Finnish Financial Authority has published Guidelines for Securities Crowdfunding.¹¹

⁹ Financial Supervisory Authority ([link](#))

¹⁰ Finnish Ministry of Finance ([link](#))

¹¹ Tordera, I. (2014): "Finnish Financial Authority Publishes Guidelines for Securities Crowdfunding" ([link](#))