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## Survey of the availability of banking services to foreign persons moving to Finland

### 1 Background and purpose of the review

Legislation safeguards access to basic banking services for all consumer customers residing legally in any EEA member state. The FIN-FSA has been informed of problems pertaining to the availability of basic banking services to foreign persons moving to Finland. The FIN-FSA has been contacted about foreign persons' access to banking services by both its stakeholders and individual customers who have requested to open banking services. Most of the problems brought to the FIN-FSA's attention have been concerned with slowness in the opening of services or unclarity regarding the documentation required from the customer by a bank in order to open services.

In February 2023, the FIN-FSA sent a survey to all Finnish credit institutions providing basic banking services and the largest branches of foreign credit institutions operating in Finland with the aim of mapping banks' practices in opening banking services to different groups of foreigners entering Finland.<sup>1</sup> The information presented in this review on banks' practices in the provision of banking services is primarily based on the responses received from the banks.

The objective of the FIN-FSA's review is to form an overall view on the availability of banking services to foreign persons moving to Finland as well as potential problems and their underlying reasons. Based on the review, the FIN-FSA formulated action recommendations whereby it seeks to steer banks' practices and ensure that the statutory right of every customer to have access to basic banking services is appropriately fulfilled and the availability of services is not unduly restricted.

In this review, banking services refer to payment services defined as basic banking services in chapter 15, section 6 a of the Credit Institutions Act (610/2014) and a strong electronic identification. The review does not address the provision of other services by banks, such as consumer credit or investment services.

### 2 Legislation on the provision of basic banking services

The customer's right to basic banking services is provided in chapter 15, sections 6–6 b of the Credit Institutions Act. Deposit banks providing payment services must provide a basic payment account denominated in euro, related payment services and electronic identification services on an equal and non-discriminatory basis to consumer customers residing legally in an EEA member state.

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<sup>1</sup> The survey was sent to, and responded by, Aktia Bank Plc, Danske Bank A/S Finland Branch, Nordea Bank Plc, Oma Savings Bank Plc, OP Cooperative, POP Bank Centre Co-Op, S Bank Plc, Svenska Handelsbanken AB (publ) Finland Branch, Savings Bank's Union Co-Op and Ålandsbanken Plc.

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The basic payment account must include the following services<sup>2</sup>:

- opening, operating and closing of a payment account with basic features;
- placing of funds;
- cash withdrawals within the territory of an EEA member state;
- payment transactions as direct debits, through a payment card, credit transfers, terminals and counters and via the online facilities of the credit institution.

Furthermore, the bank shall provide a strong electronic means of identification to its basic payment account customer if it already offers one to its other customers.<sup>3</sup>

A bank may refuse to provide basic banking services only for a reason based on law. Acceptable reasons to refuse the provision of service are mostly limited to particular reasons due to anti-money laundering or sanctions regulation. In addition, the granting of a strong electronic means of identification requires that the customer's identity can be verified in accordance with the provisions of the Act on Strong Electronic Identification and Electronic Trust Services (617/2009, the Identification Act).

If a bank refuses to provide basic banking services to a consumer customer, it must state the exact grounds for the refusal to the customer without delay, in writing and free of charge, and the customer must be informed of the right to appeal the refusal decision.<sup>4</sup>

In providing a basic payment account related payment services and other electronic identification services, a deposit bank must treat all customers equally and without discrimination. In addition to the provisions of the Credit Institutions Act on the provision of basic banking services, banks must also observe the Non-discrimination Act (1325/2014) and other applicable non-discrimination regulation in their service provision.

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<sup>2</sup> The deposit bank must provide said services as extensively as it is already providing to its customers with another type of payment account than a basic payment account.

<sup>3</sup> Strong electronic identification service as referred to in the Credit Institutions Act, which applies to basic banking services, means banks' online banking IDs or other means of identification allowing the customer to use strong identification in not just the bank's own services but also in other electronic services. Strong electronic identification and the provision of identification services to service providers, the public and other providers of identification services are governed by the Act on Strong Electronic Identification and Electronic Trust Services (617/2009, the Identification Act). The authority supervising compliance with the Act is the Finnish Transport and Communication Agency, Traficom.

<sup>4</sup> However, no statement of the grounds of refusal shall be given where it would be contrary to national security, public order or the objectives of the AML Act.

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### 3 Summary of the banks' responses

#### 3.1 Availability of banking services to foreigners moving to Finland

The survey, addressed by the FIN-FSA to banks, inquired whether they provide banking services to different groups of customers moving to Finland. For questions concerning the provision of banking services, customers were broken down into four groups based on the following grounds for entry into the country: work- or study-related permanent immigrants to Finland and their family members; work- or study-related fixed-term immigrants to Finland and their family members; asylum seekers and refugees; persons entering Finland on the grounds of temporary protection.

According to the banks' responses, as a rule, banking services are provided by all banks to each of the abovementioned groups of customers entering Finland.

To the extent that some banks reported the provision of banking services is conditional, the conditions for the provision of service are mainly related to the verification of the customer's identity and the legality of their residence in the country. In addition, one bank reported it requires, as a rule, a Finnish personal identity code and a residential address in an EEA member state as a precondition for the provision of banking services. One of the banks' responses also referred to adequate language skills as a precondition for the opening of services.

##### 3.1.1 Definition of a customer residing legally in an EEA member state and the time of commencement of the provision of banking services

Banks' obligation to provide basic banking services applies to consumer customers residing legally in an EEA member state. The FIN-FSA inquired banks whether they have faced a need to assess the concept of a legal resident in an EEA member state and how they have interpreted it. The banks were also asked the time from which they offer banking services to foreign persons moving to Finland.

According to the responses, banks have faced a varying degree of need to assess the concept of a legal resident in an EEA member state, and the interpretations presented in their responses also show some variation. Some of the banks consider the criterion of legal residence in an EEA member state met if the customer has citizenship in an EEA member state or an official document attesting the right of residence. In contrast, some of the banks require only, or in addition to the proven right of residence, that the customer demonstrates they reside in an EEA member state or that the true centre of their everyday life is in an EEA member state.

The banks' responses also suggest they have different practices regarding the time of commencement of banking services to persons needing a residence permit in order to live in Finland. Some of the banks provide banking services to customers residing in Finland already

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while their application for a residence permit, asylum or temporary protection is pending. Meanwhile, some of the banks reported they require a positive decision on the customer's application for residence in Finland. Some banks' responses did not take a direct stance on whether a residence permit is required or not.

### 3.1.2 Restrictions concerning banking services provided

As a rule, the banks stated they provide all services included in basic banking services also to foreign persons moving to Finland. However, several banks referred in their response to the existence of special restrictions concerning the documents certifying the customer's identity that may be accepted by the bank when granting a strong electronic means of identification that differ from the provision of other basic banking services.<sup>5</sup>

However, there may also be other restrictions to the provision of service, such as the fixed term of a contract subject to specific agreement with the customer in circumstances where the customer has a fixed-term residence permit in Finland.

### 3.1.3 Problems in verification of the customer's identify as an obstacle to the provision of banking services

The Act on Preventing Money Laundering and Terrorist Financing (444/2017, AML Act) requires that the customer's identity is ascertained on the basis of documents, data or information obtained from a reliable and independent source. As a rule, banks may decide, based on their own risk-based procedures, what constitutes documents, data or information obtained from a reliable and independent source in the context of their activities.

Although the AML Act allows discretion regarding the documents that the bank may accept to verify identity, the AML Act poses a special obligation concerning customers without a Finnish personal identity code. Customer due diligence information that must be retained on such customers also includes the information on the customer's travel document. Typically, the travel document is a passport, but when travelling between EU member states and certain other European countries, it may also be an identity card.

A thematic review conducted by the FIN-FSA 2022 examining the unwarranted restriction of banking services for high-risk customers and the occurrence of the so-called de-risking phenomenon in Finland revealed that a typical reason for banks to decline a customer was the

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<sup>5</sup> Provisions on the identification of a natural person applying for an identification means are laid down in section 17 of the Identification Act. In accordance with subsection 2 of said section, in initial identification that is solely based on a document issued by an authority showing the person's identity, the only acceptable documents are a valid passport or a personal identity card issued by an authority of a member state of the European Economic Area, Switzerland or San Marino. If the provider of the means of identification so chooses, they may also verify the identity with a valid passport granted by an authority of another country.

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inability to verify the customer's identity.<sup>6</sup> In this survey, banks were asked to elaborate on the most common circumstances and reasons for being unable to verify a customer's identify.

According to the banks' responses, problems in the verification of the customer's identity typically arose when the customer did not have an identity verification document defined as acceptable by the bank itself. Problems were also faced in circumstances where the customer does not have a Finnish personal identity code or an identity verification document accepted by Finland as a travel document. Other problem situations cited in the responses included damaged and expired identity verification documents, challenges in ascertaining the authenticity of the identify verification document, identity verification documents in the customer's previous name and circumstances where the customer professes to have a Finnish personal identity code but it cannot be verified that the code actually belongs to the customer.

### **3.2 Banks' guidelines on banking services for foreigners moving to Finland**

In the FIN-FSA's survey, banks were inquired whether their internal guidelines discuss the criteria and prerequisites for granting banking services with respect to all groups of foreigners relocating to Finland referred to in the survey. The banks were also asked whether they have published instructions on their website for people moving to Finland how to apply for banking services and in which languages they provide these instructions and banking services.

#### **3.2.1 Banks' internal guidelines**

All banks stated in their response that they have internal guidelines about the obligation to provide basic banking services and about opening banking services for foreign customers.

The content of banks' internal guidelines has not been assessed comprehensively in the context of this survey. Not all banks submitted their internal guidelines attached to their responses, and in some cases the FIN-FSA only had excerpts of the banks' internal guidelines to conduct the survey. However, based on the material submitted to the FIN-FSA, the level of detail of the banks' internal guidelines seems to vary from bank to another. Many banks' internal guidelines were at a rather general level, leaving a lot of room for interpretation in an individual service situation.

#### **3.2.2 Banks' instructions for customers**

There are major differences in the instructions on opening banking services provided by banks to foreigners moving to Finland. Three banks responding to the survey stated they have specific instructions on their website for foreigners moving to Finland about how to apply for banking services. Meanwhile, four banks reported they do not have

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<sup>6</sup> FIN-FSA supervision release of 15 December 2022 – 59/2022 (available in Finnish).

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such instructions on their website. Three banks referred in their responses to general instructions on their website, catering to all customers, about how to apply for banking services.

The language selection for instructions on the website varies across the banks. All banks providing instructions for foreigners moving to Finland have these instructions at least in Finnish and Swedish. The majority of the banks also provide some instructions in English. Only one bank provides instructions on its website in other languages than Finnish, Swedish or English. This bank also provides instructions in the Russian and Ukrainian languages.

### 3.2.3 Languages used in the provision of banking services

The Credit Institutions Act, which governs basic banking services, does not contain compelling regulations on banks about the languages in which services and related customer service must be provided in. In addition to the Credit Institutions Act, basic banking services are subject to the Payment Services Act (290/2010), whose section 9 requires that information and notifications concerning payment services must be given to the customer in Finland in Finnish or Swedish, but the contracting parties may also agree on using another language.

The range of languages offered by banks in their contractual relationships and customer services varies across banks. In a majority of the banks, contracts can be made and customer service received in both Finnish and Swedish. In addition, five banks or banking groups out of the ten responding to the survey reported they serve customers also in English. However, in some banks, the use of English is limited to customer service situations, while services are provided and contracts made only in Finnish or Swedish.

### 3.3 Processing times of applications to open banking services and monitoring of the processing periods

In accordance with the provisions of chapter 15, section 6 of the Credit Institutions Act, a bank shall approve or reject a customer's application for a payment account with basic features without undue delay and no later than within ten banking days from the date on which it received the application. The rationale of said section<sup>7</sup> specifies that the bank has the obligation to approve or reject the customer's application for a basic payment account without undue delay and no later than within ten banking days from the date on which it has received a *complete* application.<sup>8</sup> Neither the Act or its rationale defines in more detail what constitutes a complete application, but according to the FIN-FSA's interpretation, the reference in regulation to a complete application means that the maximum processing time of 10 banking days is calculated from the date when the bank first had all such information

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<sup>7</sup> Government proposal 123/2016.

<sup>8</sup> Article 16(3) of the Payment Accounts Directive (2014/92/EU), on which the regulation about the 10-day processing period is based, also starts the processing period from the reception of a complete application.



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and documents on the customer that it reasonably needs in order to decide whether to grant basic banking services.

According to the banks' responses, they are mainly able to comply with the 10-banking day limit in the processing of applications. However, exceptional situations, such as a large number of applications from persons from Ukraine and receiving temporary protection, may have temporarily delayed the processing of applications to the effect that it has exceeded the statutory deadline.

Different banks have varying procedures for monitoring the processing periods of applications to open basic banking services. In many banks, responsibility for monitoring the processing period was assigned to the same personnel processing the applications, or monitoring was carried out otherwise manually through job queue management. Only one bank responded it monitors the application processing periods by a monitoring system. One bank responded it does not monitor the processing time of applications at all.

## **4 FIN-FSA's conclusions and action recommendations for banks**

### **4.1 FIN-FSA's key conclusions**

Based on the responses received by the FIN-FSA from the banks, persons moving to Finland from abroad as a rule have the possibility to obtain access to a basic payment account and related minimum services in the extent required by the Credit Institutions Act. Furthermore, the content of basic banking services provided to customers does not appear to be limited, at least to any major degree, by any restrictions that would be in conflict with legislation or otherwise inappropriate. To the extent that the FIN-FSA identified areas for correction or improvement in the course of the review, its interpretations and action recommendations are presented in section 4.2.

According to the FIN-FSA's observations, the banks' practices vary among other things in the date from which banking services are provided to foreigners moving or planning to move to Finland, what kind of identity verification documents and other official documents are required from the customer, what kind of instructions are given to receive services and how well the customer can be serviced in other languages than Finnish or Swedish.

In conducting the review, the FIN-FSA noted that there are such discrepancies between the responses given by banks on the provision of basic banking services and the perceptions of foreign customers regarding the availability of these services that cannot be entirely explained by the present review.

According to the FIN-FSA's own assessment, customers' perceptions about problems of availability of banking services do not necessarily nearly always mean that banks would operate in violation of specific

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regulation on the provision of basic banking services, but the perceived problems may be ultimately caused by long waiting times or a lack of clarity about how to have service at bank branches as well as inadequate information about documentation required by the bank in order to open banking services.

Although all banks stated they are, as a rule, able to stay within the statutory processing time deadline, the waiting time for a customer to have basic banking services opened may actually be significantly longer than 10 banking days. In particular, the opening of services for customers moving to Finland from abroad may be delayed by long waiting times to receive service at bank branches. Customers moving from abroad to Finland do not, as a rule, have access to a strong electronic means of identification enabling remote banking, and therefore application concerning the opening of banking services must be made personally at a bank branch. After an application has been made, the opening of services may also be delayed by additional documentation needed by the bank to process the application. The statutory 10-banking day maximum processing period is only calculated from the date when the bank has received a complete application.

Customers may also be confused by the fact that different banks request different information and documentation in order to open a customer relationship. Banks decide independently what information they consider necessary to determine the risk level of a customer. In assessing necessity, attention must be paid to the bank's different products and services as well as risk factors associated with different customer groups. In addition, the risk management measures applied by the bank have an impact on how extensively information must be collected on the customer. As a result, some banks will ask more information from their customers, or different kind of information, than some other banks. Furthermore, the same bank may ask different information and documentation from different customers depending on their assessment of risks associated with each customer.

## **4.2 Action recommendations to banks**

To secure the availability of basic banking services and facilitate the use of banking services by persons moving to Finland from abroad, the FIN-FSA points banks' attention to the following matters:

### **4.2.1 Definition of a customer residing legally in an EEA member state and the time of commencement of the provision of banking services**

The obligation laid down in the Credit Institutions Act on banks to provide basic banking services equally and without discrimination is restricted to customers residing legally in an EEA member state. The Credit Institutions Act does not specifically define what residing legally



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in an EEA member state means and which documents are enough to prove it.<sup>9</sup>

As its interpretation, the FIN-FSA states that the definition of legally resident in an EEA member state is fulfilled at least in circumstances where a person arriving to Finland demonstrates they have applied for asylum or a temporary protection permit from Finland. The obligation to provide basic banking services commences already when the application is pending.

According to the FIN-FSA's interpretation, in circumstances where moving to Finland requires another residence permit, basic banking services must be provided already while the residence permit application is pending at least in circumstances where the person is already living in Finland by virtue of the pending residence permit application.

Also in circumstances where the bank considers it has no obligation to provide basic banking services to a customer in the process of moving to Finland since the customer is not yet by definition residing in an EEA member state, the bank may, at its discretion, open banking services for the customer insofar as the identity of the customer can be verified and other regulatory anti-money laundering obligations can be proportionately fulfilled. The FIN-FSA highlights the importance of financial inclusion and the equal and non-discriminatory treatment of customers in the provision of banking services. The availability of banking services and the commencement of service provision to foreigners moving to Finland should not be restricted solely to circumstances where the bank is under a statutory obligation to provide basic banking services.

#### 4.2.2 Requiring a Finnish personal identity code

A bank may refuse to provide basic banking services only for a reason based on law. In the context of the survey, it was discovered that at least one bank requires a Finnish personal identity code in order to open basic banking services. The FIN-FSA states that the lack of a Finnish personal identity code is not a statutory reason to deprive a customer of basic banking services, with the exception of granting a strong electronic means of identification.<sup>10</sup> The requirement of a Finnish personal identity code in the provision of other services defined as basic banking services must stop without delay.

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<sup>9</sup> In the EU Payment Accounts Directive (2014/92/EU) underlying the Credit Institution Act's provisions on basic banking services, "legally resident in the Union" means where a natural person has the right to reside in a member state by virtue of Union or national law, including consumers with no fixed address and persons seeking asylum under the Geneva Convention of 28 July 1951 Relating to the Status of Refugees, the Protocol thereto of 31 January 1967 and other relevant international treaties (Art. 2(2)).

<sup>10</sup> The Identification Act provides that, in order to have a strong electronic means of identification, a person must have a personal identity code registered in the Population Information System.

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#### **4.2.3 Verification of the customer's identity and due diligence information as prerequisites for the provision of basic banking services**

The opening of a bank account is contingent on the bank being able to identify and know the customer in accordance with the provisions of the AML Act.

As stated in section 3.1.3, with respect to customers without a Finnish personal identity code, the AML Act requires that the customer's travel document information is also retained as customer due diligence information. Banks typically accept a passport, or with respect to Schengen countries' citizens, an identity card as a travel document.

In particular, as regards asylum seekers entering the country without a valid passport, the requirement of a travel document could lead to a situation where no banking services could be provided due to deficiencies related to due diligence information under the AML Act. The FIN-FSA acknowledges the problem in regulation and welcomes a clarification to legislation to realise the right of access to basic banking services as intended in regulation for all asylum seekers entering the country legally.

As regards the collection of customer due diligence information, the FIN-FSA recommends that banks would not require the submission of unreasonably extensive information so as not to deprive customers of access to basic banking services where they have the statutory right to use these services.

#### **4.2.4 Banks' guidelines on banking services for foreigners moving to Finland**

Regulation concerning basic banking services requires that banks shall adequately raise awareness among the public about the availability of payment accounts with basic features, the features and conditions of related payment services, electronic identification services and methods for having access to alternative dispute resolution procedures for the settlement of disputes.<sup>11</sup>

The FIN-FSA considers it good practice and recommends banks to provide information and instructions regarding basic banking services and on how to apply for services in all of their customer service channels, and additionally also always on the bank's website. Adequate instructions given to customers in advance also serves to reduce the processing times of applications.

Where foreign customers entering Finland are for a justified reason subject to different instructions than other customers, the bank's website should also separately provide information on the process of applying to open banking services for foreign customers and on the documents required. It is also recommendable to provide instructions in

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<sup>11</sup> Chapter 15, section 6, subsection 5 of the Credit Institutions Act.

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other languages than Finnish or Swedish, particularly in circumstances where the bank also otherwise serves customers in non-domestic languages.

Banks must also pay attention to ensuring that internal guidelines and the training of service personnel concerning the provision of basic banking services are adequately comprehensive and clear to fulfil the statutory and equal treatment of all customer groups in the provision of banking services.

#### **4.2.5 Processing times of applications to open banking services and monitoring of the processing times**

The opening of basic banking services for customers moving to Finland from abroad may be delayed by the long waiting times to have services at bank branches. The 10-day maximum period of processing a customer's application for a payment account with basic features loses its meaning if the customer is not allowed to submit an application within a reasonable period of time.

In this context, the FIN-FSA reiterates the recommendations presented already in its review of basic banking services<sup>12</sup> in 2022 about the availability of personal customer service. Banks must ensure the availability of personal customer service to anyone needing it, within a reasonable period of time. When it comes to services falling within the scope of basic banking services, in the FIN-FSA's view, personal service should be available in different service channels also without an appointment within a reasonable time. At the early stages of a customer relationship with customers moving to Finland from abroad, the smoothness of conducting business at a bank branch is emphasised in the customers' service needs, since they do not usually have a means of identification enabling remote service.

Regulation concerning the 10-day processing deadline for applications for a basic payment account does not include specific obligations about how the processing times must be monitored. Banks' monitoring practices vary from a daily screening by a monitoring system to circumstances where no monitoring is conducted according to the bank.

In order to respect the customers' rights, the FIN-FSA recommends that all banks systematically and regularly monitor and keep records of the processing times of applications for basic payment accounts. The monitoring methods can be chosen by the banks themselves.

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<sup>12</sup> FIVA/2023/54.