



The Finnish Act on the Screening of Foreign Corporate Acquisitions to be updated



Tuija Kaijalainen
Partner

The current Act in a nutshell

The objective of the Act is to monitor and, where necessary, to restrict foreign ownership in companies being monitored, should an overriding national interest so require. An overriding national interest refers particularly to national defence, security of supply and functions vital to society.

All corporate acquisitions concerning the defence and dual-use sector always require advance approval by the authorities (application), covering all foreign owners. In other sectors in the scope of the Act, the monitoring is targeted to Finnish enterprises considered critical for securing vital functions of society and monitoring only applies to foreign owners residing or domiciled outside the EU or EFTA.

In other sector in the scope of application of the Act than the defence sector, a foreign buyer may submit the acquisition for advance approval of the Ministry if the acquisition has reached the stage immediately preceding the final completion.

Government proposal submitted to the Finnish Parliament

With reference and as a follow up to my [previous article dated on 17 Mar 2020](#) a government proposal to amend the Finnish Act on the Screening of Foreign Corporate Acquisitions (172/2012, as amended, the “Act”) has been

submitted to the Parliament on 17 June 2020.

The proposal aims the Act to implement the requirements of the EU Regulation establishing a framework for the screening of foreign direct investments into the Union. In addition, amendments are proposed to clarify the scope of application of the Act.

Implications on Cross-Border Transactions

In brief, the suggested amendments would mean for example the following:

- more information than is currently required shall be submitted to the Ministry on FDIs as part of the screening process under the scope of the Act due to the EU Regulation;
- the deadlines set in the EU Regulation for commenting by other Member States and Commission can be expected to slightly extend the processing times of the authorities under the Act;
- as the authority would have a possibility to impose conditions for the approval of an acquisition (as an alternative to denial of the acquisition), it remains to be seen whether such conditions will be set in the future; according to the Government Proposal no prohibition decisions have been issued so far under the current Act.
- corporate acquisitions in certain security sector business would be subject to advance approval by the authorities instead of current voluntary notification. This would apply according to the proposal to enterprises that produce or supply critical products or services to the Finnish authorities which are essential for the safety of society, related to their statutory tasks
- in case it is obvious that an acquisition or a procedure, arrangement or other measure having an effect equivalent is intended to circumvent the provisions of the Act on applying for confirmation of the acquisition from the Ministry, the Ministry may order application on the transaction to be filed.

The amendments of the Act are intended to come into force on 11 October 2020.

DLA Piper continues to follow closely the amendments process in Finland and will post updates.