



# Capital at Work:

## Advancing Finland's Capital Market

For 113 years, Nasdaq Helsinki has played a vital role in Finland's financial ecosystem by helping companies raise equity-based financing to support their growth. The exchange nurtures a dynamic environment for capital formation, bringing together listed companies, trading members, institutional investors, investment funds, family enterprises, venture capitalists, and private investors. This diverse network provides listed companies with strong conditions for expanding operations, attracting investment, and generating employment.

Since 2014, Nasdaq Helsinki has organized regular forums for capital market participants to identify ways to strengthen Finland's financial markets. These discussions have resulted in concrete proposals, many of which have already shaped public policy. In October 2025, Nasdaq Helsinki updated its recommendations. The updated proposals emphasize the modernization of taxation, including the introduction of neutral dividend taxation and the reform of inheritance and gift taxes. They also aim to broaden Finland's investor base to improve liquidity and deepen the market.

## Nasdaq Helsinki's proposals for strengthening Finland's financial ecosystem

### Modernizing Taxation to Stimulate Investment and Growth

#### **Capital Gain Taxation – Implementing Neutral dividend taxation**

The capital income taxation should be revised so that the tax treatment of unlisted and listed companies and their shareholders is made neutral. In a neutral dividend taxation model, dividend income would be treated uniformly regardless of the nature of the company's business, its asset position, or whether the company is publicly listed or not.

#### **Modernizing Inheritance and Gift Tax**

The current inheritance and gift tax should be replaced with a model where tax is only levied upon the sale of inherited assets, in the form of capital gains tax. A similar model was successfully implemented in Sweden in 2005. The reform has supported generational transitions in businesses, reduced administrative burdens, and increased investments. According to Sweden's experience, shifting taxation to the moment of sale has reduced forced sales. The reform also encouraged wealthy families to return to the country. Capital gains tax was increased to offset the loss in tax revenue, and economic activity grew. Introducing a similar system in Finland could help retain wealth within the country, strengthen the continuity of family businesses, and reduce tax-driven emigration.

### Broadening Finland's Investor Base

To strengthen the capital market, it's important to foster a more diverse investor base. A market with participants of varying sizes, risk appetites, and perspectives tends to offer greater depth, improved liquidity, and more efficient price discovery. Finnish shareholders and companies play a vital role in driving economic growth and employment, and it's essential to encourage long-term saving and direct investment among citizens, while also supporting companies in their efforts to grow and create jobs.

In Finland, domestic shareholding remains concentrated among a few large institutional investors, while the mid-sized investor segment is relatively small. At the same time, there is a strong foundation to build on: over one million Finnish individuals already own shares, and as of August 2025, nearly 425,000 active Equity Savings Accounts have been opened.

## Developing the Equity Savings Account

The share savings account, introduced in Finland in 2020, offers investors tax benefits and allows profits to be reinvested without immediate taxation. It simplifies equity investing and encourages long-term wealth accumulation. Sweden's equivalent, the ISK account (Investeringssparkonto), was launched in 2012. By the end of 2023, around 3.8 million people in Sweden had opened an ISK account. Its popularity is driven by tax efficiency, simplicity, and a wide range of investment options, making it attractive to both beginner and experienced investors.

Looking ahead, the Equity Savings Account should continue to evolve in Finland. Expanding the range of eligible financial instruments and enhancing the account's features can help make it an even more effective tool for engaging retail investors and channeling household savings into productive investments.

- The type of transferable financial instruments to keep on the Equity Savings Account should be increased (publicly traded ETFs, bonds, standardized derivatives, and exchange traded products).
- The deposit cap should be removed.
- Number of Equity Savings Accounts per private individual should not be limited.

## Pension Savings

The possibility to influence on person's own pension investments should be increased by copying the model in Sweden, for example. The pension reform in the late 1990's in Sweden, which allowed citizens to choose investment targets for a portion of their pension funds, made investing a part of everyday life and increased its popularity. This has strengthened Swedes' financial literacy and made investing a part of the national culture. Adopting a similar mechanism in Finland to enable individuals to allocate a portion of their pension into selected funds could strengthen domestic ownership and foster a more robust equity culture.

## Promoting Long-term Savings

It is important to encourage long-term savings with new incentives. The rules for the long-term savings account ("PS account") could be changed so that it attracts people to save long-term. The age limit for withdrawals should be lowered and if certain cases such as serious illness, the total sum should be able to be withdrawn in a lumpsum, for example.

## Listing of State-owned companies

Nasdaq welcomes the decision by the State Ownership Steering Department to list Posti Group Oyj on the Nasdaq Helsinki Main Market in October 2025. We encourage the continuation of the State Ownership policy to include the listing of non-strategic state-owned companies as a future objective. It is advisable that when the Finnish Government divests equity holdings—whether through listings or privatizations—a significant portion is made available to domestic retail investors.

## Listing of bonds

There should be more opportunities for private investors in Finland to access bonds. In recent years, sustainable finance products aimed at private investors—including green bonds—have shown significant market potential in Sweden. Listed bonds would likely have strong market potential in Finland as well, if they were offered in smaller denominations suitable for private investors.

In June 2025, Nasdaq introduced the NDRI criteria (Defense, Resilience, and Infrastructure Bond Criteria) for defense bonds to the European market. This is a new European framework supporting the issuance of bonds related to defense, resilience, and infrastructure. These instruments can channel capital into cybersecurity, dual-use technologies, and infrastructure. Such bonds are also expected to attract private investors.

## Attracting Foreign Investments in the Finnish Capital Markets

Foreign investors and capital play a pivotal role in Finland. We rely on international investment to support economic growth, attract global companies, and enhance market competitiveness.

Foreign ownership significantly contributes to the liquidity of shares in Finnish listed companies, which in turn helps reduce the cost of capital. In fact, Finland ranks high internationally in terms of foreign investor participation: as of September 2025, foreign investors hold approximately 55% of the shares and around 54% of the total market capitalization of Finnish companies.

To maintain and strengthen this position, Finland must ensure a level playing field and provide accessible, efficient market infrastructure. Foreign investors are not just participants—they are essential to the vitality, liquidity, and global appeal of Finland's capital markets.

- When implementing EU regulation, it is important not to over-regulate the Finnish capital markets unless there is a special reason.
- Allowing foreign companies' shares to be directly registered in the Finnish book-entry system will make the Finnish capital markets more accessible to foreign companies and investors. The current inflexibility of the central securities depository (CSD) presents a challenge, as foreign companies are required to establish an expensive Finnish Depository Receipt (FDR) program through a bank.
- Finland should develop a private equity fund structure that meets international standards and supports the growth of investments in unlisted assets, such as private equity and infrastructure projects. Achieving this requires effective tax legislation, clear regulatory practices and efficient processing times. Finland could leverage fund models permitted by the European Union, such as the ELTIF (European Long Term Investment Fund), which enables long-term financing for growth companies, infrastructure and strategic projects, including through private investors. The objective is to enhance Finland's attractiveness as an investment destination and improve the functioning of capital markets. Nasdaq welcomes the announcement by the Ministry of Finance on 23 September 2025 regarding the establishment of a working group to develop a corporate fund structure aligned with international practices. The working group will be supported by two subgroups, one focusing on corporate structure and the other on tax matters. The group will present its proposal in the form of a government proposal.

## Promoting Financial Literacy to Empower Household Participation in Financial Markets

At Nasdaq, our purpose is to champion economic progress for all. It is important that all the members of the society receive financial literacy education and that as many people as possible have access to the financial markets. Increasing financial literacy in Finland increases well-being in the society. The stock exchange wants to raise awareness of both the financial risks and the opportunities to help investors and equity savers to make informed financial decisions to reach future prosperity.

- Fostering financial literacy among the public should be continued. Financial education should start already at the elementary school. Financial literacy should be taught either as a separate subject or with greater emphasis within existing subjects during both elementary and middle school. At the secondary level, mandatory modules on stock investing and personal finance should be included in the curricula of both high schools and vocational schools. Additionally, financial literacy topics should be incorporated into the national matriculation examination. The goal is to ensure that students gain practical financial knowledge early and consistently throughout their education.
- All newborn children should be given an Equity Savings Account with a start capital (500 eur).

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