

CHRONICLE OF MONETARY POLICY OF 2000

OCTOBER AND NOVEMBER

10 October

Proceeding from the State Assets Act, the Government enforced a **more detailed procedure of selling state-owned securities**.

11 October

The *Riigikogu* passed an amendment to the law that stipulates that the **Compensation Fund is to fold its activities after the redemption of all bonds, by 1 December 2002 the latest**. The funds left over from redemption of the bonds are to be channelled to the Stabilisation Reserve or some other economically useful purpose.

16 October

Vahur Kraft, Governor of Eesti Pank gave a press conference at the Independence Hall of the bank. He introduced the activities of the central bank in the changing economic environment – the reform of the monetary policy operational framework, improved monitoring and analysis of economic and political developments, shaping of the financial environment corresponding to European Union requirements, and the problems with creating a unified financial supervision body. The Governor also spoke about the organisational reform of the central bank and improvements in informing the public, which result from the changing role of the central bank.

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The **commission for elaborating the financial supervision act**, chaired by **Andres Trink**, head of the Banking Supervision, **handed the draft law over to the Ministry of Finance**.

18 October

The *Riigikogu* passed **amendments to the Money Laundering Prevention Act, the Taxation Act, the Criminal Code, the Criminal Proceedings Code and the Administrative Violations Act**. The amendments concern entrepreneurs and mediators engaged in real estate transactions, gambling and lotteries as well as foreign exchange, and entrepreneurs in other fields in case their transactions exceed certain monetary limits. The amendments specify the sums of transactions or inter-related transactions, which require identity checks. The rights of credit and financial institutions to refuse to carry out transactions were also detailed, in case the person in question fails to provide documents on the legality of money or other

property involved in the transaction, as well as the procedure of informing the Money Laundering Prevention Bureau in case of suspected money laundering attempts. The powers of the Money Laundering Prevention Bureau were also extended.

20 October

A two-day fair **Money Compass 2000** opened at the National Library, organised by the Tallinn Stock Exchange, the business daily *Äripäev* and the Reuters news agency. **Eesti Pank presented itself at the fair as a provider and disseminator of economic information.**

23 October

Optiva Pank filed an application with the Tallinn Stock Exchange to delist its shares from the exchange. Over 93% of *Optiva Pank* shares belong to Sampo Finance Ltd.

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Exhibition of still lifes by Olav Maran opened at the gallery of Eesti Pank.

25 October

The *Riigikogu* approved the **1999 state budget report**. Income amounted to 18,048,000,000 kroons and expenditure to 17,165,900,000 kroons.

26 October

Decision of the Board of Eesti Pank

On Appointing a Member of the Board and Deputy Governors of Eesti Pank

Proceeding from Article 9, Section 2, Clauses 3 and 4, of the Central Bank Act, the Board of Eesti Pank appointed **three Deputy Governors – Rein Minka, Märten Ross and Andres Sutt.**

Minka and Ross, who worked as heads of department so far and were members of the Board, took up their new duties from 1 November 2000. Sutt works at the Bureau of the Nordic-Baltic Constituency of the International Monetary Fund and will resume the duties of a Deputy Governor and new member of the Board as of 2 April 2001.

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Under a Regulation of the Governor of Eesti Pank the authority of the work group, elaborating the rules allowing partial use of external assets in order to fulfil the reserve requirements of banks from 2001 onwards, was extended until **31 December 2000**. The makeup of the group was also extended.

27 October

In the treasury of Eesti Pank, under an old shelf, a covert was discovered which contained copper printing plates of the 10kroon banknotes of 1940. These had stayed hidden there since 1940 when the Soviet occupation forces took over Eesti Pank. The plates were meant for the third issue of 10kroon banknotes designed by Günther Reindorff; earlier banknotes had been printed in 1928–1930 and in 1937. Soviet occupation prevented the circulation of

the 1940 banknotes. In November of the same year the rouble was proclaimed the only legal tender in Estonia.

1 November

Leonia Corporate Bank closed its representative office in Tallinn. Services will be provided for its customers by *Optiva Pank*.

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The Eesti Pank Working Papers series published a study *Equilibrium Exchange Rate of the Estonian Kroon, Its Dynamics and Impacts of Deviations* by **Fabio Filipozzi**, a guest researcher who worked at Eesti Pank in the first half of 2000. On Eesti Pank web site the study can be found at <http://www.ee/epbe/papers/>

7 November

Decree of the Governor of Eesti Pank

On the Contents and Deadlines of Reports by Credit Institutions

Under Article 91, Section 1 of the Credit Institutions Act, **seven reports** were made compulsory for credit institutions, as well as the **terms** to be used in them and the **electronic format** of the reports. **Monthly reports** have to provide data on the **turnover and balance of the resources and loans, on overdue and/or discounted loans, and on securities. Reports on the regional distribution of deposits and loans** are to be submitted on a **six-monthly basis**.

For monthly reports, the Decree takes effect from December 2000, and for bi-annual reports, from the second half of 2000. Credit institutions are obliged to observe the deadlines of submitting the reports and their electronic formats.

The Decree also declared null and void as of 1 December 2000 the Decree of the Governor of Eesti Pank from 1 April 1997 **On Additional Statements of Credit Institutions** (see Eesti Pank Bulletin No 3, 1997, p 4).

15 November

The *Riigikogu* amended the **Law on the Use of Revenue from Privatisation**. From 1 January 2001, 25% of the privatisation revenues are to be channelled into the **Business Development Foundation** instead of the Estonian Housing Foundation. The procedures of lending and using the funds for special-purpose subsidies were also changed.

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The Eesti Pank Working Papers series published a study *The Monetary Sector under a Currency Board Arrangement: Specification and Estimation of a Model with Estonian Data* by **Rasmus Pikkani**, economist of Eesti Pank Research Department. On Eesti Pank Web site the study can be found at <http://www.ee/epbe/papers/>

21 November

Due to changes in the structure of Eesti Pank the distribution of responsibilities of the members of the Board for spheres of activity of the bank were changed by the Regulation of the Governor of the bank.

27 November

Sampo Finance Ltd sold its more than 93% stake in *Optiva Pank* to the Finnish insurance company Sampo. As 6.66% of *Optiva* shares belong to minority shareholders, the listing commission of the Tallinn Stock Exchange denied *Optiva's* request to delist the shares from the exchange.

29 November

Under the Regulation of the Governor of Eesti Pank the authority of the work group elaborating the methodology of capital adequacy requirements (see Chronicle of Monetary Policy of 2000, 6 June; Eesti Pank Bulletin No 6, 2000, p 3) was extended and its composition supplemented. Proposals for changing and/or improving the methodology have to be submitted in the form of the respective draft regulation(s) by **1 June 2001** the latest.

30 November**Decision of the Board of Eesti Pank
*On Proposing the Appointment of an Auditor***

The Board of Eesti Pank decided to propose the *Riigikogu* to appoint auditors **Veiko Hintsov** and **Villu Vaino** from **Deloitte & Touche Audit Ltd** as auditors of Eesti Pank's 2000 activities.

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The International and Comparative Corporate Law Journal published an article on the study by **Andres Tupits**, expert of European Union law at the Legal Department of Eesti Pank, ***The Duties and Liabilities of Directors under EU Company Law***. A summary of the article is available at Eesti Pank Web site at <http://www.ee/epbe/papers/>