

# STATUTES OF THE BANKING SUPERVISION DEPARTMENT OF EESTI PANK<sup>1</sup>

## 1. General Provisions

- 1.1. The Banking Supervision Department of Eesti Pank (hereafter referred to as "Banking Supervision") is an autonomous unit of Eesti Pank, which is independent in carrying out its supervisory functions on behalf of the state as prescribed by the law.
- 1.2. Banking Supervision is empowered by law to supervise all Estonian credit institutions and members of their consolidated groups. Estonian credit institutions' subsidiaries, branches and representative offices abroad fall under the jurisdiction of Banking Supervision only where they are not subject to supervision by the host supervisory authority or where an agreement to this effect has been concluded with such supervisory authority. The subsidiaries, branches and representative offices of foreign credit institutions located in Estonia also fall under its jurisdiction unless it has been otherwise agreed with the supervisory authority of the credit institution's home country.
- 1.3. The activities of Banking Supervision are governed by the Central Bank Act, the Credit Institutions Act, the Statutes of Eesti Pank, these Statutes and other laws and legal acts of the Republic of Estonia.
- 1.4. In performing its supervisory functions Banking Supervision represents Eesti Pank.
- 1.5. Banking Supervision has its own stationery and a stamp.

## 2. The Objective and Responsibilities of Banking Supervision

- 2.1. The objective of Banking Supervision is to promote the stability and reliability of the banking sector and thereby protect the interests of depositors and support the stability of the Estonian monetary system.
- 2.2. The tasks of Banking Supervision include:
  - 2.2.1. in accordance with the Credit Institutions Act continuous analysis of the activities of credit institutions and supervision of their compliance with prudential ratios and other legislative requirements;
  - 2.2.2. guiding and influencing credit institutions through the application of legal measures in order to ensure the sound and reliable management of credit

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<sup>1</sup> Confirmed by the Board of Eesti Pank on 25 November 1999 (see Eesti Pank Bulletin No 6, 1999, p 14).

institutions;

- 2.2.3. presenting proposals and otherwise participating in the development and revision of legislation governing the financial sector and financial supervision;
- 2.2.4. development of supervisory programmes, procedures and directives, according to the legal acts of the Republic of Estonia and international practices and recommendations;
- 2.2.5. informing the chairman of the Board of Eesti Pank, the Governor of Eesti Pank and other relevant competent officials and institutions of significant changes in the banking sector and the condition of credit institutions and application of measures stipulated by the law to avoid negative consequences;
- 2.2.6. promoting cooperation with international supervisory institutions and relevant supervisory authorities of foreign countries, following the best international standards and applying the best international requirements;
- 2.2.7. examining and evaluating data and documents submitted in connection with applications for licenses as contemplated in the Credit Institutions Act and presenting proposals for decisions regarding the issuing of such licenses in accordance with the procedures stipulated by law;
- 2.2.8. presenting proposals for the revocation of licenses contemplated in the Credit Institutions Act or revoking such licenses in accordance with the procedures stipulated by law;
- 2.2.9. granting approvals and permitting exceptions under circumstances specified in the Credit Institutions Act and other legal acts based on it;
- 2.2.10. monitoring liquidation and bankruptcy proceedings of credit institutions;
- 2.2.11. fulfilling its responsibilities as the authorised administrator of the database for credit institutions, their branches and representative offices as well as subsidiaries and associated companies and their audited results;
- 2.2.12. monitoring the compliance by credit institutions the provisions of the Competition Act, Money Laundering Prevention Act and Deposit Guarantee Fund Act;
- 2.2.13. proposing to the Governor of Eesti Pank to initiate court action for recalling managers of credit institutions, revoking decisions of the management of credit institutions and appointing auditors for credit institutions;

2.2.14. performing other duties prescribed by law.

### **3. The Rights of Banking Supervision**

- 3.1. As a department of Eesti Pank, Banking Supervision has the right to:
  - 3.1.1. obtain the necessary resources to carry out its functions;
  - 3.1.2. obtain the necessary training for Banking Supervision employees;
  - 3.1.3. obtain information from other departments of Eesti Pank in order to perform the duties prescribed by law and the present Statutes;
  - 3.1.4. contribute to the ongoing strategic development of Eesti Pank and present proposals for improving the supervisory process through augmenting the activities of other departments;
- 3.2. The rights of Banking Supervision in conducting its supervisory activities are stipulated in the law.

### **4. Structure**

- 4.1. In order to achieve its goals and to ensure the effective discharge of its responsibilities, Banking Supervision comprises the offices of On-site Supervision, Off-site Supervision and General Supervision.
- 4.2. The authority and responsibilities of an office are specified in the office's statutes.
- 4.3. Each office is managed by the office head.
- 4.4. The main responsibility of On-site Supervision is to perform on-site inspections of credit institutions and members of their consolidated groups, to liaise with their internal (audit committees) and external audit functions, and to compile analyses of the risk areas of credit institutions.
- 4.5. The main responsibility of Off-site Supervision is to continuously monitor the reporting by credit institutions, their compliance with prudential ratios and other legal requirements to perform analyses, as well as review and evaluate applications, data and documents submitted for the granting of approvals or exceptions within the parameters of prudential regulations.
- 4.6. The main responsibilities of General Supervision are to review and evaluate the applications, data and documents submitted for obtaining the licenses and

approvals stipulated in the Credit Institutions Act, prepare proposals for decision-makers; to carry out the tasks of the authorised administrator of the database maintained by Banking Supervision, and arrange cooperation with other financial supervisory bodies and institutions involved in performing functions related to Banking Supervision in Estonia and abroad.

## **5. Cooperation**

- 5.1. In order to fulfil its responsibilities for implementing effective banking supervision principles, including the mutual exchange of information necessary for consolidated supervision, Banking Supervision cooperates, under respective cooperation agreements, with the insurance and securities supervisory authorities as well as the banking and other relevant supervisory authorities of foreign countries.
- 5.2. In order to achieve its goals and fulfil its responsibilities Banking Supervision cooperates with other areas of Eesti Pank, internal and external audit functions (audit committees) of credit institutions, deposit guarantee institutions in Estonia and abroad, as well as the Auditing Council and the Accounting Board of the Republic of Estonia and other institutions.
- 5.3. Banking Supervision cooperates with the following departments of Eesti Pank:
  - 5.3.1. Banking Statistics and Analysis Department on issues pertaining to statistics and supervision-related information;
  - 5.3.2. Central Bank Policy Department on issues pertaining to the structure and efficiency of the financial sector, the analysis of the general economic situation of Estonia and on matters of monetary policy;
  - 5.3.3. Clearing and Settlement Department and Payment and Settlement Systems Department on issues concerning payments and settlements by credit institutions;
  - 5.3.4. Legal Department on issues concerning the preparation of laws on the supervision of credit institutions and the decisions of the Board of Eesti Pank and the decrees of the Governor of Eesti Pank, as well as on matters related to civil law contracts;
  - 5.3.5. International Department on issues concerning Eesti Pank's international relations, integration with the European Union and the analysis of the economic policy of foreign countries;
  - 5.3.6. Public Relations Department on issues concerning the release of information on the supervision of credit institutions and maintaining

relations with the general public;

5.3.7. other departments where necessary in order to perform the tasks stipulated by their statutes.

5.4. Other departments of Eesti Pank have the right to obtain information gathered by Banking Supervision in the course of its supervisory activities involving credit institutions and members of their consolidated groups, where such information is necessary for performance by the department of the tasks stipulated by its statutes.

## **6. Management of Banking Supervision**

6.1. The activities of Banking Supervision are directed by the Head of Banking Supervision who is nominated by the Governor of Eesti Pank and is appointed by the Board of Eesti Pank.

6.2. The Head of Banking Supervision:

6.2.1. manages the activities of Banking Supervision and represents it in the fulfilment of the responsibilities stipulated in Clause 2 of these Statutes;

6.2.2. organises the activities of Banking Supervision according to the business plan approved by the Governor of Eesti Pank;

6.2.3. reviews and supervises the work of Banking Supervision employees;

6.2.4. presents proposals to the Governor of Eesti Pank on the components of the budget of Eesti Pank which affect Banking Supervision and arranges for the utilisation of allocated funds;

6.2.5. approves job descriptions of the employees of Banking Supervision and the statutes of its offices;

6.2.6. issues regulations regulating the work of Banking Supervision and orders within the limits of Banking Supervision competence, and makes decisions concerning supervision activities;

6.2.7. issues instructions and draws up administrative protocols on specific cases of violation of the administrative law;

6.2.8. is responsible for observing the provisions of the legal acts regulating the activities of Banking Supervision and for securing the exact and purposeful use of funds allocated to Banking Supervision;

6.2.9. performs other tasks stipulated by law.

- 6.3. The Head of Banking Supervision is independent in making decisions within his or her authority.
- 6.4. The Head of Banking Supervision is substituted during his or her absence by the Deputy Head of Banking Supervision who has the full authority of the Head unless otherwise stipulated by law.

## **7. Reporting of Banking Supervision**

- 7.1. Banking Supervision reports on its activities to the Board of Eesti Pank at least twice a year.
- 7.2. Under procedures specified by the Governor of Eesti Pank, the Head of Banking Supervision reports on the status of the business plan of Banking Supervision and the use of budgetary funds at least once a quarter.
- 7.3. The Head of Banking Supervision shall keep the Banking Supervisory Committee of Eesti Pank informed on all matters pertaining to the granting and denial of licenses stipulated by the Credit Institutions Act, the revocation of licenses and on the status of representative offices of foreign credit institutions.

## **8. Restructure and Termination of Banking Supervision**

- 8.1. The restructure of Banking Supervision and the termination of its activities shall be regulated by law.