

# CHRONICLE OF MONETARY POLICY OF 2001

## DECEMBER

### 3 December

The Banking Supervision Department of Eesti Pank registered the Estonian representative office of Norddeutsche Landesbank Girozentrale (Nord LB). This is the sixth foreign bank to open a representative office in Estonia.

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The Decree of the Governor of Eesti Pank set the following retail prices for the 2002 calendars of the central bank, coinciding with their cost price:

- Art calendar featuring the treasures of the Silver Chamber of St Nicholas' Church – 365 kroons
- Desk calendar featuring sketches of Estonian banknotes – 122 kroons
- Wall calendar of Eesti Pank – 67 kroons

### 5 December

Riigikogu passed the **law on replacing units of currency with the euro in legal acts**, which came into force on 1 January 2002. Under this law, the currencies of these European Union member countries that switched over to the euro will be replaced by the euro (excluding the laws on the ratification of foreign loans and granting state guarantees to loans). The conversion is based on the exchange rates set by the Council of the European Union.

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Riigikogu passed the **State Pension Insurance Act**. The Act states *inter alia* that the annual indexation of pensions should not lead to the reduction of pensions. In addition to the early-retirement pension the law also provides for the suspended old-age pension.

### 6 December

Riigikogu approved **Estonia's research and development strategy for the period 2002–2006 "Knowledge-based Estonia"**.

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A two-part study *Monetary Transmission Mechanism in Estonia* was published in the series of Working Papers of Eesti Pank. The author of the first part *Monetary Transmission Mechanism in Estonia – Some Theoretical Considerations and Stylized Aspects*, is **Raoul Lättemäe**, a leading expert of the Central Bank Policy Department. The author of the second part, *Monetary Transmission Mechanism in Estonia – Empirical Model*, is **Rasmus Pikkani**, who at the time was a leading expert of the Central Bank Policy Department.

The study is available at the Web site of Eesti Pank at <http://www.ee/epbe/papers>.

### 7 December

**A summit of the leaders of the European Central Bank, the System of European Central Banks and the EU candidate countries was held in Berlin.**

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Representatives of Eesti Pank and six commercial banks operating in Estonia signed a purchase agreement on cash euro under which the central bank purchased euro banknotes for the commercial banks.

### 10 December

**Eesti Pank hosted the joint meeting of Riigikogu's European Affairs Committee and the central bank Monetary Policy Committee.** Speakers at the meeting included the Governor of Eesti Pank **Vahur Kraft**, Deputy Governor **Rein Minka**, heads of departments **Ilmar Lepik** and **Tanel Ross** and deputy head **Kaja Kell**. Other members of the central bank executive management also attended the meeting.

### 11 December

Proceeding from the Unemployment Insurance Act passed by Riigikogu on 13 June 2001, the Government of Estonia adopted a decree **on the procedure of calculating the average daily wage of the insured persons and the Estonian average daily wage**, as well as, a decree **on instructions for determining and paying unemployment benefits**. Both decrees took effect from 1 January 2002 and will be enacted from 1 January 2003.

### 13 December

**Riigikodu amended the Credit Institutions Act.** A major aim of the amendments was to bring the Act fully in accordance with the banking directives of the European Union, first of all with Directive 2000/12/EC. Prudential ratios on regulating the activity of the Financial Supervision Authority were specified, as well as clauses concerning the protection of clients' interests and commodity-related portfolio trading. Some amendments were also made in the wording of the Act.

### 17 December

The Council of the Financial Supervision Authority (FSA) appointed Head of the Banking Supervision Department and Chairman of the Temporary Board of the FSA **Andres Trink** as Chairman of the Management Board of the FSA. Members of the Management Board are **Kristjan-Erik Suurväli**, former Director General of the Securities Inspectorate, and **Kaido Tropp**, former Director General of the Insurance Supervisory Authority, who were both members of the FSA temporary board. New members of the Management Board are **Andres Kurgpõld** and **Kilvar Kessler**. The latter will take office in May 2002.

### 18 December

**The Board of Eesti Pank decided to take notice of the Development Plan of Eesti Pank for the period 2002-2004** (see pp 11–12).

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The Government of Estonia set the minimum hourly wage at **10.95 kroons** and the minimum monthly wage for full-time workers at **1,850 kroons** as of 1 January 2002.

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**The Ministry of Finance adopted a list of services provided by credit and financing institutions for which no VAT is charged from the service fee.** These services include:

1. depositing transactions for receiving monetary deposits and other repayable funds from the public;
2. lending;
3. money transmission services;
4. money broking;
5. issuing and servicing of non-cash means of payment, including bills of exchange and cheques;
6. guarantees and commitments;
7. transactions with foreign currency and securities on own account as well as on behalf of customers;
8. transactions concerning the issuing and sale of securities;
9. safekeeping and administration of securities;

10. depository transactions;
11. managing of investment funds and securities portfolios;
12. subscription and redemption of fund units.

The Decree took effect from 1 January 2002.

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The Board of Eesti Pank decided to grant a pension of merits to academician **Uno Mereste** from 1 January 2002, for his great services in launching and building up the central bank and for his remarkable contribution as chairman of the Board of Eesti Pank in 1993–1997. Mereste was involved in preparations for the 1992 monetary reform in Estonia and has taken active part in working out banking legislation. Earlier, Eesti Pank has awarded a pension of merits to academician Raimund Hagelberg.

## 19 December

**Riigikogu passed the 2002 state budget**, in which income and expenditure are balanced at 33,130,693,000 kroons.

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Riigikogu passed the **Commercial Associations Act**, which also amended the Savings and Loan Associations Act. The Act will take effect from 1 February 2002.

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The Government of Estonia adopted decrees on paying salaries to state employees in 2002 (including monthly salary rates corresponding to the salary scale) and on paying salaries to employees of state institutions financed from the state budget and managed by the government institutions (including monthly salary rates corresponding to the salary scale).

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An exhibition by **Marko Mäetamm** was opened at the Gallery of Eesti Pank.

## 20 December

Due to the launch of the Financial Supervision Authority from 1 January 2002, the words *Eesti Pank Banking Supervision Department* and *Banking Supervision Department* were replaced with *Financial Supervision Authority* in the following decrees of the Governor of Eesti Pank: “On Endorsing the Regulations for Reporting by the Liquidators, Temporary Administrator and Bankruptcy Administrator of Credit Institutions” (from 14 May 1999, see Eesti Pank Bulletin No 3, 1999, p 6); “On the Acquisition of the Qualifying Holding in a Bank” and “On the Procedure of Submission of the Information on the Conformity of Persons Specified in the Credit Institutions Act and the Declaration of Their Financial Interests” (both from 15 October 1999, see Eesti Pank Bulletin No 6, 1999, pp 6–10 and pp 10–13); “On Informing About the Opening of a Representative Office of a Credit Institution Abroad” (from 31 December 1999, see Eesti Pank Bulletin No 1, 2000, p 8).

The Decree took effect from 1 January 2002.

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Eesti Pank published a survey *The Structure and Functioning of the Financial Sector in Estonia*, compiled for the workshop of the European Central Bank on “Financial Sector Issues in Accession Countries” held on 24–25 October 2001 in Frankfurt am Main.

## 21 December

Under Article 2 of the Central Bank Act and Article 71, Clause 3, Article 91, Clause 1 and Article 92, Clause 1 of the Credit Institutions Act, the Decree of the Governor of Eesti Pank “**On Amending Decrees of the Governor of Eesti Pank Due to the Launch of the Financial Supervision Authority**” made changes in

the following decrees: “Reports by Credit Institutions” (from 31 January 1997); “Principles of Compiling Consolidated Reports of Credit Institutions” (from 6 March 1998); “Payment Statistics Reporting by Credit Institutions” (from 16 June 1998); “Foreign Currency Purchase and Sale Report” (from 17 August 1998); “Electronic Report Forms for the Consolidated Accounts Presented by Credit Institutions” (from 17 November 1998); “Credit Institutions’ Reports on Off-Balance Sheet Transactions” (from 24 December 1998); “Prudential Ratios for Credit Institutions” (from 6 July 1999); “Public Disclosure Reports of Credit Institutions” (from 19 October 1999); “On Reporting the Structure of Deposits by Credit Institutions” (from 22 June 2000); “On the Contents and Deadlines of Reports by Credit Institutions” (from 7 November 2000); “On Reports of Credit Institutions” and “On the Procedure for Calculating and Meeting the Reserve Requirements” (both from 22 December 2000).

The Decree took effect from 1 January 2002.

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Due to the launch of the Financial Supervision Authority the Regulation of the Governor of Eesti Pank “**On Updating Regulations**” invalidated a number of regulations and their clauses concerning the activity of the Banking Supervision Department and reworded a number of regulations.

The Regulation took effect from 1 January 2002.

### 31 December

Due to the rearrangements in the organizational structure of Eesti Pank, the following division of responsibilities for the bank’s spheres of activity between the members of the Board was introduced by the Regulation of the Governor of Eesti Pank:

**Governor Vahur Kraft** is responsible for the general management of the activities of Eesti Pank, supervision and control of the management mechanisms;

**Deputy Governor Rein Minka** is responsible for co-ordinating the activities related to cash circulation and safety of the work environment; reliable and cost-effective functioning of the payment and settlement system of Eesti Pank and its integral development; forming the information technology and legal environment, as well as for personnel management;

**Deputy Governor Märten Ross** is responsible for preparing and executing monetary policy decisions; managing of the financial assets of Eesti Pank; co-ordinating the collection, compilation and publication of state statistics; co-ordinating economic research and activities related to in-service economic training;

**Deputy Governor Andres Sutt** is responsible for international and public relations of Eesti Pank; elaborating and executing financial sector policy; co-ordinating the collection, processing and publication of financial sector data; supervising the payment and settlement system; financial accounting and reporting of Eesti Pank; internal administration and physical work environment.

The Regulation took effect from 1 January 2002.