

# CHRONICLE OF MONETARY POLICY OF 2001

## MAY

### 3 May

Eesti Pank marked its 82<sup>nd</sup> anniversary with a **five-hour real-time online press conference for students of all secondary schools**. Taking into account different information technology possibilities of the schools, questions could be submitted in advance by mail, fax or e-mail. The students' questions were answered by Deputy Governor **Rein Minka** and leading experts of the Bank.

### 9 May

**Riigikogu passed the Financial Inspection Act**. Under the new law, an autonomous Financial Inspection with its own budget is to be created under Eesti Pank. The Inspection is to carry out independent supervision over subjects of state financial supervision and over the activities specified in the legislative acts regulating financial supervision, work of credit institutions and insurance companies, investment funds, pension funds, the securities market and the Estonian central register of securities. The Financial Inspection is to be launched on 1 January 2002.

### 10 May

The IMF mission on ROSC SDDS visited Eesti Pank and government ministries. The mission stayed in Estonia until 18 May.

### 11 May

**Two-day international seminar *Economic and Monetary Union: Challenges and Risks* opened in Tartu**. The seminar was organised by University of Tartu, EuroCollege of University of Tartu and Eesti Pank with the assistance of Hansapank and Sampo Pank. The opening speeches were by Governor of Eesti Pank **Vahur Kraft**, Director of the EuroCollege **Michael Challenger**, and Member of the Board of Finnish central bank **Sinikka Salo**. Participants included representatives of the European Central Bank, Organization for Economic Co-operation and Development, central banks of Austria, Finland and Germany, the Danish Ministry of Economy, various local and foreign universities, government institutions and commercial banks.

Abstracts and summaries of the seminar speeches are available at the web site of Eesti Pank at [http://www.ee/epbe/et/teated/index\\_konverents\\_seminar.html](http://www.ee/epbe/et/teated/index_konverents_seminar.html)

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The study *Expectations in Estonian Inflation Equations* by **Urmas Sepp** and **Mari Rell** was published in the series of *Eesti Panga toimetised* (Working Papers of Eesti Pank).

The study was published in Estonian only and available at the web site of Eesti Pank at <http://www.ee/epbe/papers>

In hard copy the Working Papers are available in the major libraries of Estonia and at the Museum of Eesti Pank at 11 Estonia Avenue, Tallinn.

**14 May**

**Decree of the Governor of Eesti Pank**

*Confirmation of Instructions for Settlement of Payments*

Proceeding from § 2 Subsection 1, § 14 Clause 3, § 15 Subsection 3 of the Central Bank Act, § 87 Subsection 2 of the Credit Institutions Act and Decision of the Board of Eesti Pank of 7 May 1996 "Time for Settlement of Payments and Size of Bank Charge for Overdue Payments" (see Eesti Pank Bulletin No 5, 1996, pp 5 to 6) Eesti Pank confirmed '**The Instructions for Settlement of Payments**'. The present Decree shall be in force **from 1 July 2001**.

Eesti Pank declared invalid Regulation of Eesti Pank of 17 June 1992 **Procedure for Non-cash Payments** and the Decree of the Governor of Eesti Pank of 26 June 1996 **On the Establishment of Time for Executing Settlement of Payments** (see Eesti Pank Bulletin No 5, 1996, pp 9 to 11).

## INSTRUCTIONS FOR SETTLEMENT OF PAYMENTS

The present Instructions establish the procedure and deadlines for processing payments settled by intermediation of the credit institutions having a licence for operating in the Republic of Estonia in respect of domestic payments and cross-border payments.

### I Definitions

**Force Majeure:** unpredictable event or circumstances over which the Payer, Originator, Payee or credit institution has no control (natural disaster, fire, war, strike, lockout, mass disturbances, occupation, change of laws) and which stops or makes impossible for the aforementioned persons to perform one or several obligations arising from the present Instructions.

**Payment:** settlement in money between the Payer and the Payee.

**Payment Order:** an order of the Originator, which includes all data necessary for the credit institution to unambiguously identify the will of the Originator, given to the credit institution.

**Originator:** a person who issues the initial Payment Order.

**Accept of Payment Order:** a declaration of credit institution's will by which it acknowledges its obligation to execute the payment according to Payment Order. As a result of accepting the Payment Order the credit institution accepts the Payment Order for processing.

**Payer:** a person who alienates or from whom money within the amount stated in the Payment Order is alienated for the benefit of the Payee.

**Payment System Administrator:** a person who administers payment system.

**Payment Intermediary:** each credit institution, which participates in the processing of Payment and is neither Payer credit institution nor beneficiary credit institution.

**Banking Day:** a calendar day except Saturday, Sunday, a national or state holiday.

**Payee:** a person to whom the Payer's money is to be alienated as stipulated in the Payment Order.

**Domestic Payment:** a payment in case of which Payer credit institution and Beneficiary credit institution are located in the Republic of Estonia and no Payment Intermediary or payment system located outside the Republic of Estonia is used when processing the Payment. Domestic Payment is divided into:

- (i) credit institution's internal payment – Payment where the same credit institution is the credit institution of both parties;
- (ii) Payment between credit institutions – Payment where the Payer credit institution and the Beneficiary credit institution are different credit institutions.

**Compulsory Collection:** a Payment which is originated by a third person and is based on a decision of a competent administrative body and is not needed to be accepted by the Payer.

**Cross-border Payment:** A Payment where

- (i) the credit institution of one party is located outside the Republic of Estonia;
- (ii) the credit institutions of both parties are located in the Republic of Estonia and a Payment Intermediary or payment system located outside the Republic of Estonia is used to execute the Payment.

## II Payment Order and Accept of Payment Order

- (1) Payment Order may be:
  - 1) Credit Order – Originator is the Payer;
  - 2) Debit Order – Originator is the Payee or a third party who by law or agreement has the right to originate payment.
- (2) As a precondition for accepting a payment order, the credit institution is entitled to demand from the Originator the presentation of at least the following information:
  - 1) name of the Payer;
  - 2) name or code of the Payer credit institution;
  - 3) Payer's current account number;
  - 4) name of the Payee;
  - 5) name or code of the beneficiary credit institution;
  - 6) Payee's current account number;
  - 7) registration number/registration code or personal identification code of an Originator residing in the Republic of Estonia;
  - 8) amount of payment and currency;
  - 9) date when the Originator's credit institution is obliged to begin processing the Payment Order;
  - 10) purpose of Payment expressed in words or a reference number;
  - 11) for the purpose of executing cross-border payment the data of the Payment Intermediary (beneficiary credit institution's correspondent bank) used by the beneficiary credit institution, if necessary.

In case any of the above information is missing or contradictions occur in interpreting these data, the will of the Originator is not considered to be explicitly expressed and the credit institution is not obliged to accept the Payment Order.

- (3) Credit institution is obliged to accept the Payment order if all the following conditions are met:
  - (i) Payment order is submitted to the credit institution according to the agreed conditions;
  - (ii) the money necessary for executing the Payment has been transferred or handed over to the credit institution;
  - (iii) credit institution has agreed with the giver of Payment Order on payment of the fees accompanying the execution of payment;
  - (iv) execution date stated in the Payment Order allows for the credit institution accepting the Payment Order to observe the settlement deadlines for payments.
- (4) In accepting a Payment Order of cross-border payment, credit institution as a Payer credit institution is entitled to request from the Payer and as a beneficiary credit institution from the Payee the information related to the Payment and declared for state statistics.

## III Origination of Payment and Finality of Payment

- (1) Payment is regarded originated if Payment originator credit institution has accepted the Payment Order.
- (2) Credit institution is obliged to establish conditions stipulating irrevocability of the accepted Payment Order. Unless the conditions established by the credit institution for accepting the Payment Order stipulate otherwise, the Payment Order accepted by credit institution is irrevocable.
- (3) The Payment is considered executed on the moment the Payee has received the money. The Payee has received the money if the credit institution:
  - 1) has paid to the Payee in cash the sum stated in the Payment Order;
  - 2) has credited the Payee's account by the amount stipulated in the Payment Order;
  - 3) has paid to the Payee the sum stated in the Payment Order by some other way if there is a respective agreement with the Payee.

#### IV Information on the Payment Execution Terms and Conditions

- (1) Credit institution has to provide each person/institution with the following information at its own expense:
- 1) as an originator credit institution – time within which the account of the beneficiary credit institution is credited with the sum the Payment is originated by the originator credit institution and also the beginning this time is considered started;
  - 2) as a beneficiary credit institution – time within which the Payee receives money the beneficiary credit institution has collected for the Payment made in favour of the Payee;
  - 3) calculation method and amount of fees the Payer or Payee have to pay in connection with the execution of the Payment;
  - 4) as an originator credit institution to the Payer and as a beneficiary credit institution to the Payee – the possibilities of presenting complaints and restitution claims and the procedure of resolving these;
  - 5) the conditions stipulating irrevocability of the Payment Order accepted by the credit institution;
  - 6) the procedure for the use of exchange rates if conversion of the sum to be paid is needed for the execution of Payment.
- (2) Upon accepting of Payment Order the Payer credit institution is obliged to provide the Payer and the beneficiary credit institution the Payee with the following information:
- 1) requisite(s) allowing identification of Payment;
  - 2) Payment sum at the moment of originating the Payment, in case the respective information is available;
  - 3) service fees paid for the processing of Payment by the Payer as the Payer credit institution and by the Payee as the Beneficiary credit institution;
- (3) If, in case of a Credit Order, the Originator has ordered that the payment-processing fee is to be paid partly or fully by the Payee, the beneficiary credit institution is obliged to inform the Payee of it.
- (4) If for the processing of a Payment it was necessary to convert currency to another currency, the credit institution as a Payer credit institution is obliged to inform the Payer or as a beneficiary credit institution the Payee of the used exchange rate(s).

#### V Processing the Payment Order

- (1) When processing the Payment Order the Payer credit institution, Payment Intermediary and beneficiary credit institution are obliged to execute the Payment in full, unless in the Payment Order the Originator has ordered otherwise.
- (2) When processing the Payment Order the Payer credit institution and the beneficiary credit institution may use a Payment Intermediary or a payment system.
- (3) When transmitting a Credit Order in the course of executing a Payment:
- 1) either from the Payer credit institution to the beneficiary credit institution;
  - 2) either from the Payer credit institution to the Payment Intermediary or to the Payment System Administrator;
  - 3) either from a Payment Intermediary to another Payment Intermediary or to the Payment System Administrator or to the beneficiary credit institution;
  - 4) either from the Payment System Administrator to the Payment Intermediary or to the beneficiary credit institution,
- the Payment Order has to be transmitted so that the explicitly expressed will of the Originator reaches each credit institution accepting the Payment Order in its original form and the beneficiary credit institution can inform the Payee of the Payment Originator and of the purpose of the Payment.
- (4) When transmitting a Debit Order in the course of executing a Payment:
- 1) either from the beneficiary credit institution to the Payer credit institution;
  - 2) either from the beneficiary credit institution to the Payment Intermediary or to the Payment System Administrator;
  - 3) either from one Payment Intermediary to another Payment Intermediary or to the Payment System Administrator or to Payer credit institution;
  - 4) either from the Payment System Administrator to the Payment Intermediary or to the Payer credit institution,
- the Payment Order has to be transmitted so that the explicitly expressed will of the Payment

Originator reaches each credit institution accepting the Payment Order in its original form and the Payer credit institution can inform the Payer of the Payment Originator and of the purpose of the Payment to be made.

## VI Settlement Deadlines for Payments

Unless the Payment Originator has established a later deadline in the Payment Order:

- (1) for executing a Domestic Payment of the accepted Credit Order, the Payer credit institution has to process the Payment Order so that the Payment is collected by the beneficiary credit institution not later than on the first banking day following the banking day on which the Payment Order was accepted.
- (2) for executing a Cross-border Payment of the accepted Credit Order the Payer credit institution has to process the Payment Order so that the Payment is collected by the beneficiary credit institution not later than on the seventh banking day following the banking day on which the Payment Order was accepted.
- (3) for executing a Domestic Payment of the accepted Credit Order the beneficiary credit institution has to process the Payment Order so that the Payment is collected by the payee not later than on the banking day the Payment Order is accepted.
- (4) for executing a Cross-border Payment of the accepted Credit Order the beneficiary credit institution has to process the Payment order so that the Payment is collected by the Payee not later than on the first banking day following the banking day on which the Payment Order was accepted.
- (5) the Payer credit institution has to process the accepted Debit Order so that the Payment is collected by the beneficiary credit institution not later than on the banking day established in the Payment Order.
- (6) for executing a Domestic Payment of the accepted Debit Order the beneficiary credit institution has to process the Payment Order so that the Payment is collected by the Payee on the banking day the respective Payment was collected by the beneficiary credit institution.
- (7) for executing Cross-border Payment of the accepted Debit Order the beneficiary credit institution has to process the Payment Order so that the Payment is collected by the Payee on the first banking day following the banking day on which the Payment Order is accepted.
- (8) Unless the Originator has ordered otherwise, the Payment Intermediary and the Payment System Administrator have to process the accepted Payment Orders on the Banking Day the Payment Order is accepted.
- (9) If a Debit Order does not explicitly express the will of the Originator and unless the Originator has ordered otherwise, the credit institution, which has received the Payment Order, has to inform of the ambiguity:
  - 1) the Originator if the credit institution, which has received the Payment Order, is the Originator's credit institution;
  - 2) Originator's credit institution or Payment Intermediary or Payment System Administrator if the credit institution, which has received the Payment Order, is not the Originator's credit institution on the next Banking Day at the latest.
- (10) If the Credit Order does not explicitly express the will of the Originator and unless otherwise agreed between the Originator and the credit institution, the credit institution is obliged to return the Payment Order with the respective comments and also return the money transferred to it for processing the Payment Order:
  - 1) in case of a credit institution-internal payment – to the Payer not later than on the next Banking Day from the Banking Day the Payee was supposed to collect the money;
  - 2) in case of a Payment between credit institutions:
    - 2.1) to the Payer if the credit institution accepting the Payment Order is the Payer credit institution – not later than on the next Banking Day from the day the Payer credit institution was supposed to process the Payment Order;
    - 2.2) to the Payer credit institution if the credit institution accepting the Payment Order is the beneficiary credit institution – not later than on the next Banking Day of the Banking Day the Payee was supposed to collect the money. The Payer credit institution executes the returned Payments on the equal basis with other collected Payments.

3) in case of a cross-border payment, non-observance of deadlines established in Part VI Clause 10 Sub-clauses 1 and 2 is justified if observance of deadlines could cause loss to the Payer or the Payee and non-observance is in harmony with good banking practice.

- (11) In case of the violation of settlement deadlines and if demanded by the Payer or the Payee, the credit institution which has violated settlement deadlines, is obliged to pay a bank charge for an overdue payment for each day overdue to the extent established in Clause 2 of Decision No 5-1 of the Board of Eesti Pank (Time for Settlement of Payments and Size of Bank Charge for Overdue Payments) of 7 June 1996. If both the Payer and the Payee demand the payment of a bank charge for an overdue payment, the credit institution, which has violated settlement deadlines, is obliged to pay a bank charge for overdue payment both to the Payer and the Payee in equal parts.
- (12) The credit institution is not obliged to pay a bank charge for overdue payment as stipulated in Clause 11 of Part VI if the delay of Payment was caused by the Payer or the Payee.
- (13) The credit institution is not obliged to pay a bank charge for overdue payment as stipulated in Clause 11 of Part VI, if the delay of Payment was caused by the circumstances of Force Majeure and if the taking into account of such circumstances as a basis for diminishing or excluding the responsibilities of the credit institution does not violate the law in force.

#### **VII Specifics of Cross-border Payments**

The following provisions of the present Instructions do not apply to cross-border payments where the Payer credit institution or the beneficiary credit institution is a non-member country of the European Union:

- (1) Sub-clause 1 of Clause 1 of Part IV 'Information on the Payment Execution Terms and Conditions';
- (2) Clause 2 of Part VI 'Settlement Deadlines for Payments'.

#### **VII Specifics of Compulsory Collection**

- (1) In case of compulsory collection the provisions of the present Instructions shall be in force with the specifics arising from the law on which compulsory collection is based.
- (2) In case of a conflict between the law on which compulsory collection is based and the clauses of the present Instructions, the present Instructions are not applied to the extent it would contradict the law on which compulsory collection is based.

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Head of the European Commission's Directorate-General for Internal Market and Financial Services **John F. Mogg** met top officials of the Eesti Pank and the Ministry of Finance of Estonia at Eesti Pank.

#### **17 May**

Eesti Pank and the Tallinn House of Scientists organised a meeting with Ex-governor of Eesti Pank **Rein Otsason** at the Museum of the Bank, to mark his 70<sup>th</sup> birthday.

#### **24 May**

A three-day **joint seminar of Eesti Pank and the Ministry of Finance** opened in Kuressaare, focusing on two main topics – standards and codes of best practice initiated by international institutions, and further development of Estonia's economic policy.

#### **29 May**

**Riigikogu approved the 2000 Annual Report of Eesti Pank.**

**31 May**

The Swedish Swedbank, majority owner of Hansapank, and the Skandinaviska Enskilda Banken (SEB), majority owner of Eesti Ühispank, signed a legal merger plan. The new bank will be called SEB Swedbank AB.

As stated by Eesti Pank earlier, this merger does not mean that 85% of the Estonian banking market would automatically fall under the control of a single major owner. The issue will be handled in accordance with the Estonian laws and keeping in mind the need to guarantee sufficient competition on the market.