

# THE STATUTE OF EESTI PANK<sup>1</sup>

## 1. GENERAL

1.1. Eesti Pank (hereinafter: the Bank) is the central bank of the Republic of Estonia, the legal status, aims and tasks of which are stipulated by the Constitution of the Republic of Estonia (hereinafter: the Constitution) and the Central Bank of the Republic of Estonia Act (hereinafter: the Central Bank Act).

1.2. Pursuant to the Central Bank Act, the present Statute regulates the organisational structure, internal working procedures and the procedures for managing the Bank's assets.

1.3. The name of the Bank in English is the Bank of Estonia.

1.4. The Bank is located at Estonia Avenue 13, 15095 Tallinn, Republic of Estonia.

1.5. The working language of the Bank is Estonian.

1.6. The Bank's accounting year commences on 1 January and ends on 31 December.

## 2. THE BOARD OF THE BANK

2.1. The Board of Eesti Pank (hereinafter: the Board), being the highest governing body of the Bank, shall be established in accordance with the procedures stipulated in the Constitution and the Central Bank Act. The Board shall comprise the Chairman and eight members, amongst whom shall be included the Governor of Eesti Pank (hereinafter: the Governor) by virtue of his/her office. The Minister of Finance shall participate in the Board meetings, having a right to speak.

2.2. The Central Bank Act stipulates the jurisdiction of the Board.

2.3. If necessary, the Board may employ Advisors in the discharge of its responsibilities. The Advisors may participate in the Board meetings if invited by the Chairman but shall not have any voting rights.

2.4. The Board shall operate pursuant to procedures established by the Board itself.

2.5. The Governor shall implement the decisions of the Board.

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<sup>1</sup> This full text contains all amendments made in the Statute. Reference to repealed clauses is given in brackets.

2.6. The decisions of the Board having an impact on national monetary and banking policy and norm-establishing decisions shall be published in the Riigi Teataja Lisa (Appendix of the State Gazette).

### **3. THE GOVERNOR OF THE BANK**

3.1. The activities of the Bank shall be managed by the Governor as the chief executive officer. The Governor shall be appointed in accordance with the Constitution pursuant to the procedures provided by the Central Bank Act. The Governor shall be responsible for all the activities of the Bank and shall report regularly to the Board and Riigikogu (the Parliament).

3.2. The Central Bank Act determines the jurisdiction of the Governor.

3.3. The Governor shall represent the Bank in accordance with the law without any supplementary authorisation.

3.4. The Governor shall manage the day-to-day operation of the Bank through the Eesti Pank Executive Management (hereinafter: the Management), Deputy Governors, heads of independent sub-units and structural units. By regulation the Governor can delegate some of his/her functions in the daily management of the Bank to the Management or Deputy Governors, except if pursuant to the Central Bank Act or nature of the functions the sole competency of the Governor is required.

3.5. Independent sub-units of the Bank shall be established, reorganised and dissolved by a Board decision as proposed by the Governor.

3.6. The organisational structure is designed, and the structural units formed and dissolved by the Governor's regulation.

3.7. The Governor may issue decrees, regulations and orders:

- 1) decrees are norm establishing edicts issued by the Governor based on laws or Board decisions. The decrees of the Governor shall be published in the Riigi Teataja Lisa;
- 2) through regulations the Governor establishes the Bank's internal procedures;
- 3) through orders (both written and oral) the Governor governs the staff's day-to-day activities.

3.8. In the absence of the Governor, a Deputy Governor authorised temporarily by the Governor's regulation shall substitute for him. If the authorisation by regulation is not possible, the eldest Deputy Governor shall substitute for him. The substituting person shall have full powers of the Governor until his powers are valid.

### **4. THE EXECUTIVE MANAGEMENT OF THE BANK**

4.1. The Executive Management of the Bank (hereinafter: the Management) shall organise the activities of the Bank, secure cooperation between the Bank's sub-units and structural

units, plan current operations and make proposals to the Board regarding decisions to be made under the Board's jurisdiction.

4.2. The Management shall adopt decisions to fulfil its functions.

4.3. The staff of the Bank shall be obliged to implement the decision of the Management. Upon conflict between the decision taken by the Management and the decree or regulation issued by the Governor, the latter shall take precedence.

4.4. The Management shall comprise the Governor and two to four members. The Board shall appoint and release members of the Management on the proposal of the Governor.

4.5. The Governor shall be the Chairman of the Management by office. In absence of the Governor, the Deputy Governor substituting for the Governor pursuant to Article 3.8 of the Statute, shall resume the responsibilities of the Chairman of the Management.

4.6. The Deputy Governors shall be members of the Management.

4.7. Upon necessity the Governor can invite other persons, non-members of the Management, to attend the meeting or discussion of specific items on the agenda. The invitees shall have no right to vote.

4.8. The Management shall operate and make decisions pursuant to procedures established by the Management itself.

4.9. The Governor shall convene meetings of the Management upon necessity but not less frequently than once a fortnight.

4.10. The Management may take decisions if at least half of its members, including the Governor, are present.

4.11. The Management shall adopt a decision by a majority vote of the participating members, adhering to the formal requirements established in the procedure of the Management. In case of the split vote, the Governor shall have the casting vote. The member of the Management shall have the right to request entering of his/her dissenting opinion into the minutes.

4.12. The decisions taken by the Management shall enter into force upon signing by the Governor.

4.13. Minutes shall be taken at the meetings of the Management. The Governor and the minute-taker shall sign the minutes.

## **5. COMMITTEES AND COMMISSIONS OF THE BANK**

5.1. The standing Monetary Policy Committee (hereinafter: Committee) shall be set up to elaborate monetary, economic and financial sector policy issues and draft relevant decisions for the Board as well as to harmonise the activities of the Bank.

5.2. The Committee shall comprise all members of the Management. The Governor shall determine the rest of the members of the Committee and its jurisdiction by his regulation. The Governor shall be the Chairman of the Committee.

5.3. The decisions taken by the Committee within its jurisdiction shall be legally equal to the decisions taken by the Management.

5.4. The Management shall approve the working procedure for the Committee.

5.5. The Governor, Deputy Governor or the Management can also set up other standing or ad hoc commissions, ad hoc committees or ad hoc working groups in order to fulfil functions of the Bank. The founder shall determine the composition, functions, jurisdiction and dissolution of commissions, committees and working groups.

5.6. The commissions, ad hoc committees and working groups shall follow the working procedures established by the founder.

5.7. The decisions of commissions, ad hoc committees and working groups shall be of recommendatory nature for the Governor, Deputy Governors and the Management.

## **6. ORGANISATIONAL STRUCTURE AND STAFF OF THE BANK**

6.1. The Bank's organisational structure shall comprise, besides the Board, Governor and the Management also Deputy Governors, sub-units and structural units.

6.2. The Deputy Governor shall direct structural units and coordinate the Bank's activities in achieving its strategic objectives in the scope specified by the Governor. The sub-units managed and activities coordinated by the Deputy Governor constitute his/her area of governance.

6.3. The Board shall appoint and release the Deputy Governors on the proposal of the Governor. The areas of governance shall be established and changed by the regulation of the Governor.

6.4. The Deputy Governor cannot be head of sub-unit or structural unit.

6.5. The sub-units shall operate in accordance with their statutes confirmed by the Board.

6.6. The structural units shall operate in accordance with their statutes confirmed by the Management. The Internal Audit Department shall operate in accordance with the statute confirmed by the Board.

6.7. The salaries of the Governor, Deputy Governors, Internal Auditors and the Chief Accountant shall be determined by the Board. Salaries of other staff shall be determined by the Governor within the parameters established under the personnel expenses category in

the budget of the Bank. The remuneration policy of the Bank shall be based on the labour market situation, the level of remuneration in other banks and state agencies, and the skills and efforts of the staff. Bonuses and other payments shall be calculated and paid in accordance with instructions confirmed by the Governor.

6.8. All legal requirements restricting their participation in business, membership in corporate governance or introducing supplementary obligations as regards confidentiality shall be mandatory for the staff of the Bank. The Governor shall be entitled to expand the above restrictions or to apply them to the Bank employees who are not directly subject to the legal restrictions. This principle shall be provided in labour contracts, constituting a recruitment prerequisite imposed by the Bank.

6.9. The Bank shall have the right to subsidise non-profit organisations formed in the interests of its staff. The Board shall establish the methods, scope and procedures of subsidisation on the proposal of the Governor within the limits determined in the Bank's budget.

6.10. The Bank's staff and members of the Board shall be entitled to additional social guarantees. These guarantees are:

- 1) an Eesti Pank pension in accordance with its statute;
- 2) other social benefits as determined by the Board.

6.11. The Management shall have the right to establish other benefits for the Bank staff.

6.12. Funds necessary for social guarantees and benefits shall be drawn from funds allocated from the budget.

## **7. THE FIXED CAPITAL OF THE BANK**

7.1. The fixed capital of the Bank shall be 100,000,000 kroons as determined by law. The fixed capital shall be increased by decision of Riigikogu.

7.2. The sources, which may be used for increasing the fixed capital up to the target amount determined by Riigikogu, are:

- 1) the annual profit of the Bank of which not less than 25% shall be allocated according to Article 30 of the Central Bank Act;
- 2) other amounts of targeted financing as determined by decision of Riigikogu.

7.3. In case the reserve capital does not suffice, the losses of the Bank may be offset against the fixed capital if so decided by Riigikogu.

## **8. THE RESERVE CAPITAL OF THE BANK**

8.1. The reserve capital of the Bank shall be raised until it is at least equal to the fixed capital of the Bank. The reserve capital may be increased beyond that level in accordance with a target amount determined by Riigikogu.

8.2. The sources used for increasing the reserve capital shall be:

- 1) the annual profit of the Bank of which not less than 25% may be allocated in accordance with the Board decision;
- 2) other amounts of specific financing received by the Bank as may be decided by the Board.

8.3. The reserve capital shall be used to offset the Bank's losses.

8.4. In case the reserve capital, which has been raised to the target level, decreases as a result of the incurred loss being offset against the reserve capital, the reserve capital shall be replenished to the amount set out in Article 8.1 and from the sources and according to the procedures described in Article 8.2 of this Statute.

## **9. SPECIAL CAPITAL, TARGET FUNDS AND RESERVES OF THE BANK**

9.1. The special capital and target funds shall be divided into special reserves and other reserves (funds).

9.2. The Bank's special reserves shall be used:

- 1) to cover the expenses arising from the risks related to placing and maintaining the backing for the Estonian kroon (including price margins of gold and securities, exchange rate risks, issue risk, settlement risk);
- 2) to cover the expenses incurred from the risks related to depreciation of long-term investments, loans, guarantees and assets;
- 3) to cover other extraordinary expenses unless in conflict with the Central Bank Act.

9.3. The special reserves shall be maintained by:

- 1) allocations from profit in accordance with Article 30, Section 4 of the Central Bank Act;
- 2) allocations in accordance with Article 29, Section 2 of the Central Bank Act;
- 3) other sources not prohibited by law or the Statute.

9.4. The Board on the proposal of the Governor shall resolve on the procedures for establishing, increasing and using other reserves (funds, including pension fund, etc) when approving the budget of the Bank without amending the Statute.

## **10. THE BUDGET OF THE BANK**

10.1. The financial activities of the Bank shall be based on the budget approved by the Board. The Management shall prepare the budget and the Governor shall submit it to the Board by 1 December the latest. If the Board has not approved the budget for the new financial year by 1 January, expenses amounting to one twelfth of the previous year's total expenditure shall be allowed per month at the expense of revenues until the approval of the budget.

10.2. The Governor shall report on budget performance to the Board on a quarterly basis.

10.3. [The provision is repealed as of 19 December 2000]

10.4. [The provision is repealed as of 19 December 2000]

## **11. ASSETS OF THE BANK**

11.1. Pursuant to the Central Bank Act, the Bank shall maintain full ownership of its assets without requiring any additional authorisation.

11.2. The Bank shall be the sole possessor of its assets.

11.3. The Governor or persons authorised by him/her shall be entitled to conduct transactions on behalf of the Bank.

11.4. The feasibility of such transactions shall be assessed under the following criteria (in the order of importance):

- 1) maintenance of value;
- 2) constant maintenance of liquidity;
- 3) diversification of risks;
- 4) optimisation of profit.

11.5. Transactions with the gold and foreign currency reserves of the Bank shall be performed only in accordance with the procedures confirmed by the Governor.

11.6. When investing the gold and foreign currency reserves that constitute the backing of the kroon, the Bank shall use internationally credible financial institutions with a sufficiently high rating to guarantee a low level of risk for such transactions.

11.7. Pursuant to the Central Bank Act the Governor as well as other Bank employees authorised by the Governor shall have the authority to sign in the name of the Bank. The Governor of the Bank may issue within its jurisdiction single proxies of a fixed date to take legal action in the name of the Bank or to represent the Bank in Estonia or abroad in other issues for the period of time necessary for performing such tasks.

## **12. INTERNAL CONTROL SYSTEM OF THE BANK AND INTERNAL AUDIT**

12.1. [The provision is repealed as of 19 June 2002]

12.1.<sup>1</sup>The internal control system is a complete set of measures, which enables to guarantee the fulfilling of legal acts and is directed to lawfulness and rationality; protection from loss arising from dissipation and non-targeted use of property, incompetent management and

other similar factors; rational operation of the Bank in performing its tasks; collection, preservation and dissemination of authentic, timely and reliable information.

12.1.<sup>2</sup>Existence and efficiency of the internal control system shall be assessed and analysed by internal audit.

12.1.<sup>3</sup>Internal audit is an independent, objective, sureness providing and consulting activity which is directed to the perfection of Bank's operation and creation of values. Internal audit shall contribute to achieving the aims of the Bank by using systemic and organised approach in order to assess and perfect the efficiency of risk management, control and governance culture.

12.2. In order to perform the function of internal audit, the structure of the Bank comprises the Internal Audit Department (hereinafter: the Department). The Head of the Department shall be appointed and relieved from office by the Board on the proposal of the Governor.

12.3. [The provision is repealed as of 19 December 2000]

12.4. The Department shall work in accordance with a work schedule approved by the Governor of the Bank and confirmed by the Board. The Head of the Department shall report to the Governor and at least twice a year to the Board, or more frequently if so demanded by the Board. The Department shall be independent.

12.5. The tasks, rights, obligations and responsibility of the Department shall be established by the statute.

12.6. [The provision is repealed as of 19 December 2000]

12.7. [The provision is repealed as of 19 December 2000]

### **13. THE ACCOUNTING AND REPORTING PROCEDURES OF THE BANK**

13.1. The accounting in the Bank shall be conducted according to international accounting standards, laws regulating accounting and other legal acts as well as the internal accounting procedures of the Bank that are to be confirmed by the Governor.

13.2. [The provision is repealed as of 19 December 2000]

13.3. The Chief Accountant appointed and released from the office by the Board on the proposal of the Governor shall be responsible for accounting.

13.4. The Bank's annual report together with the auditor's report shall be presented by the Governor to the Board for review. The annual report approved by the Board shall be submitted to Riigikogu for confirmation pursuant to the Central Bank Act.



## **14. AUDITING OF THE BANK**

The activities of the Bank shall be audited by an internationally accepted independent auditing company, appointed by Riigikogu for each financial year pursuant to the procedures established by the Central Bank Act.

## **15. FINAL PROVISIONS**

15.1. This Statute has been approved by the Board of Eesti Pank pursuant to the Central Bank Act on 3 September 1996. The Statute became effective on the next day following the approval of the Statute. The Statute approved on 23 November 1993 together with amendments as of 24 May 1994 became invalid on the same day.

The Statute has been amended by the Decision of the Board of Eesti Pank No 2-2 of 14 January 1997 (entered into force on 15 January 1997), No 18-1 of 19 December 2000 (entered into force on 20 December 2000) and No 7-1 of 19 June 2002 (entered into force on 20 December 2002).

15.2. The Statute shall be amended or a new Statute approved by a Board decision pursuant to the Central Bank Act.