

COOPERATION AGREEMENT BETWEEN THE MINISTRY OF FINANCE, EESTI PANK AND THE ESTONIAN FINANCIAL SUPERVISION AUTHORITY ON SETTING FINANCIAL SECTOR POLICY

To ensure the credibility and stability of the Estonian financial system, the lawful and orderly operation of financial markets, and the relevance of regulation for the financial sector, which comprises financial services, insurance services and financial markets, and to manage cooperation in this between the Ministry of Finance, Eesti Pank and the Financial Supervision Authority,

Eesti Pank, represented by Governor of Eesti Pank Ardo Hansson, the Financial Supervision Authority, represented by the Chair of the Management Board Kilvar Kessler, and the Ministry of Finance, represented by the Minister of Finance Sven Sester, as the Parties to this cooperation agreement have signed the agreement as follows:

1. GENERAL PROVISIONS

1.1. The agreement defines the cooperation between the Parties as concerns:

1.1.1. setting policy for the financial sector, and participating in drafting legislation for the financial sector and analysing its effects;

1.1.2. compiling and analysing reports and exchanging information on the financial sector, including information on the status and risks of financial infrastructure;

1.1.3. preventing and resolving financial crises related to credit or financing institutions, insurers, and their subsidiaries or parents established or operating in Estonia (thereafter financial institutions);

1.1.4. cooperating and exchanging information on financial sector policy with institutions of the European Union and other international institutions and organisations, including European financial supervisory institutions, the European Central Bank, the European Single Resolution Board, the European Systemic Risk Board, national central banks and supervisory institutions (thereafter competent authorities), and the ministries responsible for the financial sector in other European Union Member States;

1.1.5. managing public communication on these subjects.

1.2. The Parties apply the following principles in their cooperation:

1.2.1. a clear division of areas of responsibility between the Parties, who each operate within their area of competence;

1.2.2. avoidance of duplication of work when the Parties have similar duties and when obligations are set for third parties, as far as this is possible legally, practically and in good faith;

1.2.3. regular and efficient exchange of information in order to improve results and to economise on the work of the Parties.

1.2.4. open, efficient, constructive and timely cooperation in line with good governance practice, and solutions that are jointly prepared and accepted in the areas that affect all the Parties;

1.2.5. appropriate and sufficient economic and human resources where these are needed for meeting the goals of this agreement.

1.3. Cooperation to prevent and resolve financial crises starts from the principle that the Parties do their best in good faith to minimise the negative impact of financial crises on society and the harm suffered by clients and investors of financial institutions that have fallen into difficulties.

1.4. The Parties base their activities on the duties, rights and obligations defined for them by law, and the division of roles and responsibilities in this agreement.

1.5. The concepts used in this agreement are in line with those given in the legislation of Estonia and the European Union.

1.6. This agreement is not legally binding on the Parties and does not imply any legal obligation. The Parties will not take any actions as part of the cooperation under this agreement, nor demand them from any other Party, that would be in breach of the law or the binding obligations of the Party.

2. GENERAL BASES FOR COOPERATION

2.1. JOINT COMMITTEE

2.1.1. The Joint Committee is a high-level standing committee composed of representatives of the Parties to coordinate the cooperation between the Parties and perform the tasks assigned to it by this agreement.

2.1.2. The Joint Committee includes the Chair of the Management Board of the Financial Supervision Authority, the Secretary-General of the Ministry of Finance or the Deputy Secretary-General as nominated by the Minister of Finance, and the Deputy Governor of Eesti Pank as nominated by the Governor of Eesti Pank. The Parties nominate alternatives for the members of the Joint Committee.

2.1.3. The main functions of the Joint Committee are:

2.1.3.1. to coordinate cooperation between the Parties on important issues affecting financial stability and the lawful and orderly operation of financial markets, and on harmonising positions;

2.1.3.2. to approve the work schedule for development of the laws and guidelines governing the financial sector and for impact analysis for them, and where necessary to coordinate the setting of joint positions on European Union legal initiatives affecting the financial sector;

2.1.3.3. to approve the exchange of information between the Parties, including for specific issues concerning the financial sector, and where necessary to appoint a leading Party to resolve problems;

2.1.3.4. where necessary to appoint a representative or representatives of the Parties for communicating with third parties and coordinating communication by the Parties with third parties;

2.1.3.5. to set up permanent or temporary working groups to resolve specific issues concerning the financial sector or financial stability or to compile analysis of such issues;

2.1.3.6. to cooperate with similar committees in other countries, especially member states of the European Union;

2.1.3.7. where necessary, to coordinate the organisation of international meetings, conferences, and similar on the financial sector, when these occur in Estonia;

2.1.3.8. to resolve differences of opinion between the Parties about fulfilling this agreement;

2.1.3.9. to perform any other tasks not listed above and resolve any other issues if this is necessary for the aims of this agreement to be achieved.

2.1.4. The Joint Committee operates as a standing committee for questions concerning financial stability, including among its responsibilities:

2.1.4.1. consistent assessment of risks to the financial system and operation as a forum for the exchange of information on regional systemic risks;

2.1.4.2. coordination of macroprudential assessment and of measures to reduce systemic risks;

2.1.4.3. coordination of the joint work of the Parties to prevent and resolve financial crises, including the application of appropriate measures if the Joint Committee has not decided to set up a separate ad hoc joint committee to do this;

2.1.4.4. coordination of planning for crisis resolution exercises aimed at testing financial crisis resolution capabilities.

2.1.5. The Joint Committee coordinates joint work on macroprudential supervision in relation to:

2.1.5.1. defining the systemically important financial institutions and financial infrastructure;

2.1.5.2. identifying systemic risks and assessing such risks;

2.1.5.3. setting measures to reduce systemic risks.

2.1.6. The scheduled meetings of the Joint Committee will take place at least once in each half year. Each Party has the right to request a meeting of the Joint Committee if that Party finds it necessary in order to execute the tasks in this agreement.

2.1.7. The Joint Committee meets regularly or as necessary, but not less than once a year, to hear:

2.1.7.1. the action plan drawn up by the Ministry of Finance in cooperation with the other Parties for legislation affecting the financial sector and the review of the completion of the action plan for the previous year, which is discussed by the Joint Committee by the end of each February at the latest;

2.1.7.2. the reviews and assessments of Eesti Pank on the systemic risks threatening financial stability and proposals for the introduction of measures designed to reduce systemic risk;

2.1.7.3. information on the participation of the Parties in international cooperation where appropriate;

2.1.7.4. reports on other topics that the Parties consider it important to inform the other Parties about.

2.1.8. The meetings of the Joint Committee are convened and chaired by the representative of the Ministry of Finance on the Joint Committee if the Joint Committee members do not decide otherwise. The provision of technical services for the Joint Committee rotates each calendar year if the Parties do not agree otherwise.

2.1.9. The Parties may invite a representative of the Guarantee Fund where necessary for setting positions on issues concerning financial stability at the Joint Committee level.

2.1.10. The decisions of the Joint Committee are reached by consensus.

2.2. OTHER FORMS OF COOPERATION AND EXCHANGE OF INFORMATION UNDER NORMAL CIRCUMSTANCES

2.2.1. To execute this agreement the Parties may:

2.2.1.1. set up standing or ad hoc formal or informal working groups;

2.2.1.2. with the agreement of the other Parties involve employees and officials of the other Parties, representatives of the financial sector, or other people with appropriate knowledge and experience in their work;

2.2.1.3. arrange work experience for officials and employees of the other Parties;

2.2.1.4. organise joint training events or seminars, for which officials or employees of the other Parties may be used as trainers.

2.2.2. The Parties presume that one route for cooperation will be continuing unofficial spoken or email consultation between officials and employees of the Parties, which will be complemented by the coordination of thorough targeted cooperation.

2.2.3. The Parties share information with each other where it is needed for successful work, as far as such information is available in each Party's sphere of responsibility. Under exchange of information is included sharing of internal work documentation, including anonymised statistical data made available to European financial supervision institutions and describing Estonian financial markets, comparing or reviewing data from European financial markets, or providing information about supervisory actions, where these are necessary for drafting legal acts.

2.2.4. The information is sent at the initiative of the Party holding the information, in response to a request from another Party or Parties, or where required by law, and within the extent set by law.

2.2.5. The Parties work closely together and exchange relevant information if there is or may be a risk that certain circumstances or events could have a significant effect on the state of the financial sector or that certain circumstances or events may result in a financial crisis or in liquidity or payment difficulties at some financial institutions.

2.2.6. The cross-border exchange of information is generally based on the principle that Eesti Pank will share information with central banks, the Financial Supervision Authority with supervisory authorities and resolution authorities, and the Ministry of Finance with the appropriate ministries. If a Party needs to exchange information outside of this principle, it will generally first consult the Party that normally exchanges information with the authority concerned.

2.2.7. To ensure timely and coordinated exchange of information, the Parties compile a shared list of contact people that can be changed or updated as needed but not less than once a year.

3. PUBLIC COMMUNICATION

3.1. The Parties inform one another in advance of the release of any communications to the public

concerning matters that concern the duties of the Joint Committee.

3.2. The Parties harmonise in advance where possible the extent and content of public communication that affects at least two of the Parties, if the communication is intended for a public presentation, for foreign countries, for international organisations or for institutions of the European Union. The communication is released jointly by the Parties concerned, or it is agreed in advance which Party will release the communication.

3.3. The Parties work together in their public communications to implement measures intended to advance the financial literacy of residents of Estonia.

4. COOPERATION IN THE DECISION-MAKING PROCESS OF THE EUROPEAN UNION AND IN INTERNATIONAL RELATIONS

4.1. The Parties inform one another of plans to sign international agreements within their spheres of responsibility.

4.2. The Parties inform one another where possible of their participation in:

4.2.1. the work of the institutions of the European Union, and international institutions and organisations;

4.2.2. the work of European Supervisory Authorities, the European Central Bank, the European Single Resolution Board, the European Systemic Risk Board, and supervisory and resolution colleges for cross-border consolidated groups.

4.3. If it is not prevented by law or by binding agreements on the Parties, the Parties share with one another information on the international cooperation noted above and harmonise their positions where possible.

4.4. The final decision-making right on questions needing resolving in the decision process lies with the Party that participates directly in the decision-making process.

4.5. The Party participating directly in the decision-making process generally allows the other interested Parties to participate in the decision-making process, except in cases where such participation would be in breach of the law or a binding obligation on the Party, or is for another reason not possible.

5. COOPERATION IN DRAFTING LEGISLATION AND GUIDELINES

5.1. The Parties are informed about the intention of one Party to propose draft legislation or guidelines regulating the financial sector by the Party whose responsibility it is to produce that draft of the legislation or guideline. If some of the Parties so desire, consultations are conducted between the Parties with the aim of clarifying the underlying task and principles of the draft law or guideline. The outcomes of the consultation are advisory.

5.2. The Party that has produced a draft law or a draft amendment to a law sends it to the other Parties for coordination and for opinion. The draft need not be sent for opinion if it does not have any relevance for the competencies of the other Parties or if the circumstances of the drafting process already require the opinion of the Parties in another form.

5.3. Drafts of decrees produced by the Parties are sent to the other Parties for coordination and opinion if the drafting Party finds that the draft concerns the competence of another Party or if the Parties have already so agreed separately. Information for drafts of guidelines is exchanged under a separate agreement.

5.4. Parties send to other Parties important information that they have received about drafts of other legislation that affects the financial sector.

5.5. The Parties inform one another immediately of any significant problems that have arisen in the implementation or interpretation of legal acts and guidelines affecting the financial sector.

5.6. Parties involve other Parties in the ex ante analysis of the impact of legal acts and ex post analysis of the implementation of legal acts where those other Parties have knowledge of the subject, statistical data or reports, or are informed of the developments in implementation practice in the area.

5.7. Under point 2.1.7.1 the Ministry of Finance compiles an action plan for each calendar year for the development of legal acts affecting the financial sector, within which the Party responsible for each draft is listed with the coordinating person or people and the deadlines and intermediate stages for the preparation of the drafts. The Parties have the right to make proposals about the action plan and the establishment of the related working groups.

6. COOPERATION ON PREVENTING AND RESOLVING FINANCIAL CRISES

6.1. GENERAL EXCHANGE OF INFORMATION FOR PREVENTING AND RESOLVING FINANCIAL CRISES

6.1.1. For preventing and resolving financial crises, the Parties exchange information under the following principles:

6.1.1.1. the Parties share information with each other where it is needed for effective prevention and resolution of financial crises, as far as such information is available in each Party's sphere of responsibility;

6.1.1.2. the exchange of information between the Parties includes quantitative data on financial institutions with problems and qualitative assessment of the relevance and suitability of possible resolution measures, and on their possible effects;

6.1.1.3. organisation of the exchange of information takes account of the timeliness and speed of the sending of information and of how necessary the information is for decision-making, considering how the decisions will affect the fiscal position of the state and the Guarantee Fund.

6.1.2. The Parties define, in accordance with the law and agreements signed, the domestic and foreign institutions with which information must be shared in the event of a crisis.

6.1.3. The Joint Committee may approve a crisis communication programme reflecting the implementation of measures to prevent and resolve financial crises.

6.2. COOPERATION ON PREVENTING FINANCIAL CRISES

6.2.1. The tasks of the Joint Committee in preventing financial crises include:

6.2.1.1. consulting at least on questions relating to the assessment of resolvability, questions relating to the coordination of early intervention measures, and other important questions relating to the prevention of financial crises;

6.2.1.2. providing information and if necessary trying to reach common positions on agenda items for meetings of resolution colleges.

6.2.2. Concerning financial crisis prevention measures, the Parties exchange information at least when:

6.2.2.1. the financial recovery plan or the resolution plan has been the subject of significant disagreement in the joint decision-making process with the competent authorities of other countries concerned, especially where the disagreements are related to the potential impact on the national budget or where a joint decision may lead to budgetary obligations;

6.2.2.2. significant impediments to the resolution of a credit institution have been identified during assessment of resolvability of that credit institution, including impediments to the continuity of critical functions or the operation of payment and settlement systems or impediments with significant direct or indirect adverse effects on the financial system, market confidence or the economy as a whole;

6.2.2.3. conditions for early intervention have been met and the Financial Supervision Authority, the European Central Bank or another competent authority has announced the early intervention measures, including the announcement of a moratorium or the appointment of a temporary administrator;

6.2.2.4. a credit institution has encountered significant liquidity problems or the functioning of the critical functions has been interrupted for a longer period for other reasons, including interruptions to the availability of cash or the operation of payments.

6.2.3. Any Party receiving the information described in points 6.2.2.3 and 6.2.2.4 may propose that the Joint Committee be convened immediately and may ask for the Guarantee Fund to be included in the work of the Joint Committee.

6.2.4. The role of the Joint Committee convened under point 6.2.3 is:

6.2.4.1. to coordinate the opinions of the Parties on the financial crisis prevention measures, these opinions serving as the base for updating the crisis resolution plan;

6.2.4.2. to coordinate, where appropriate, the valuation of assets and liabilities of a credit institution;

6.2.4.3. to coordinate the preparation for the possible resolution of a credit institution, including preparation for contacting potential acquirers or, where appropriate, coordination of submission of a bankruptcy petition against a credit institution;

6.2.4.4. to ensure the smooth flow of information between the Parties and with the competent authorities of the European Union, foreign central banks, ministries responsible for the sector, and other competent authorities and resolution authorities, and where necessary to coordinate participation in crisis resolution colleges;

6.2.4.5. where necessary to coordinate public communication in accordance with the crisis communication plan approved by the Joint Committee.

6.3. COOPERATION IN THE APPLICATION OF CRISIS RESOLUTION MEASURES AND RIGHTS

6.3.1. The Financial Supervision Authority immediately informs the other Parties, and if necessary the Guarantee Fund, and proposes that the Joint Committee be convened as soon as possible if information received by the Financial Supervision Authority during the supervision process leads it to consider that a financial institution is failing or is likely to fail. If a Party other than the Financial Supervision Authority holds such information, it immediately informs the other Parties and proposes that the Joint Committee be

convened as soon as possible.

6.3.2. The Financial Supervision Authority immediately informs the Joint Committee of the decision to initiate a resolution procedure, including information on the resolution measures or rights to be applied, the deadlines for their application, and a list of institutions and people who have been informed about the initiation of the resolution.

6.3.3. The role of the Joint Committee in the application of resolution measures, given the resolution framework of the European Union, is:

6.3.3.1. to ensure the smooth exchange of information and coordinated action between the Parties, including in the choice and scope of measures;

6.3.3.2. to coordinate the organisation of the procedure for assessing the assets of the financial institution;

6.3.3.3. to coordinate issues related to the establishment, management and termination of a bridge institution or asset management company;

6.3.3.4. to coordinate the resolution of issues around the continuity of the critical functions of the financial institution and the functioning of the payment and settlement systems;

6.3.3.5. to coordinate the application of state measures, including organisational issues related to the expropriation of the holding of the credit institution;

6.3.3.6. to coordinate the cross-border exchange of information in accordance with the principles given in this agreement;

6.3.3.7. where necessary to coordinate public communication in accordance with the crisis communication plan approved by the Joint Committee;

6.3.3.8. to coordinate other issues around the resolution.

6.4. OTHER COOPERATION IN THE EVENT OF A FINANCIAL CRISIS

6.4.1. In addition the Joint Committee coordinates the application of the measures listed in points 6.2 and 6.3 to investment firms, and the transfer of insurance portfolios, the imposition of a special regime, and the application of rehabilitation measures for insurers.

6.4.2. Each Party informs the other Parties of planned changes to the organisation of its work in relation to preventing and resolving financial crises, including the need for hiring or contracting of additional staff.

7. CONFIDENTIALITY

7.1. Information exchanged between the Parties is confidential if not ruled otherwise by agreement between the Parties or by law.

7.2. The Parties ensure that all people who handle confidential information are obliged to meet confidentiality requirements according to the law.

7.3. Information exchanged under this agreement may be used only for the purposes of this agreement.

7.4. The Parties may disclose confidential information received from foreign authorities or people to

employees or officials of another Party who need this information for the performance of their duties, provided that the employee or official receiving the information is required to maintain the confidentiality of the information and disclosure of the information does not breach the legal or contractual obligations of the Party. If the law or agreements provide that confidential information received from foreign authorities or people may only be shared with the prior authorisation of that institution or person, the Parties abide by this principle.

8. DURATION OF THE AGREEMENT, AND CHANGES AND ADDITIONS TO IT

8.1. The agreement has been signed for an unspecified term and enters into force once it is signed by all the Parties.

8.2. The Parties will assess the relevance of the agreement at least once every three years and make changes to it as necessary.

8.3. The list of contact people is reviewed at least once a year and is updated as necessary.

8.4. The cooperation agreement on the management of financial crises signed between the Parties on 5 December 2006 and the cooperation agreement signed on 21 December 2007 are repealed once this agreement enters into force.