

# COOPERATION AGREEMENT

Tallinn, 8 September 2003

The Financial Supervision Authority, in the person of Andres Trink, Chairman of the Management Board (hereinafter the FSA), and AS Tallinna Börs, in the person of Gert Tiivas, Chairman of Management Board (hereinafter the Tallinn Stock Exchange), hereinafter severally referred to as the Party and jointly as the Parties, have entered into this Cooperation Agreement (hereinafter the Agreement) in the following.

## **1. Bases and purpose of cooperation**

- 1.1. According to § 3 of the Financial Supervision Authority Act, financial supervision is conducted in order to enhance the stability, reliability, transparency and efficiency of the financial sector, to reduce systemic risks and to promote prevention of the abuse of the financial sector for criminal purposes, with a view to protecting the interests of clients and investors by safeguarding their financial resources, and thereby supporting the stability of the Estonian monetary system. Among other things, the FSA exercises supervision over the activities provided for in the Securities Market Act, the Estonian Central Register of Securities Act and legislation established on the basis thereof.
- 1.2. On the basis of § 126 of the Securities Market Act, the function of the Tallinn Stock Exchange is to ensure the regular and lawful operation of the market and supervision of the participators and issuers on the market and the activities thereof.
- 1.3. On the basis of § 149 of the Securities Market Act the FSA and the Tallinn Stock Exchange cooperate in exercising market supervision.
- 1.4. The goal of the Agreement is to improve the performance of functions arising from the Securities Market Act, international standards, principles and generally accepted practices and customs, mutual clarification of supervision functions, development of the regulatory environment and intensification of cooperation between the Parties.

- 1.5. This Agreement does not limit, delegate or otherwise change the rights and obligations of the Parties arising from legislation.
- 1.6. Specific supervisory measures and methodology are not the object of this Agreement and can be freely altered within the limits of either Party's competence, which has been provided for in legislation.

## **2. Areas of cooperation**

- 2.1. For the purpose of attainment of the goals specified in article 1.4 of the Agreement:
  - 2.1.1. the Parties clarify the main supervision activities related to regulated market supervision;
  - 2.1.2. the Parties agree on the organisation of regular and *ad hoc* exchange of information;
  - 2.1.3. the Parties cooperate in the national and European Union legislative drafting process regarding securities market, thereby taking into account the goals specified in article 6.1 herein;
  - 2.1.4. the Parties cooperation in drafting and establishing standards and instructions for market participants as well as for developing an active dialogue with market participants;
  - 2.1.5. on the basis of separate agreements the Parties cooperate in organising information days, seminars and educational events for consumers of financial and investment services, preparation of information bulletins, writing articles and in other activities aimed at increasing the market participants' awareness.

## **3. Supervision**

- 3.1. The supervision exercised by the FSA and the Tallinn Stock Exchange is aimed at investor protection, market integrity (fair, effective and transparent operation) and reduction of the systemic risk.
- 3.2. The supervisory activities of the Tallinn Stock Exchange include, above all, the following:

- 3.2.1 establishment of rules, supervision of adherence thereto and violation proceedings, incl. drafting rules and standards applicable to the members, imposing contractual penalties in the event of respective violations or circumstances, giving warnings, suspension or cancellation of trading activities or membership status;
- 3.2.2. accepting securities for trading in the market (incl. listing), inspection of the compliance of prospectuses and documents, disclosure of information and requirements established in the rules with regard to issuers to the extent provided for in legislation;
- 3.2.3. the initial verification of the timeliness, accuracy and correctness of the information disclosed in the system by market participants, thereby taking into account that the person communicating the information is, above all, liable for the correct, timely and accurate disclosure of information to the Tallinn Stock Exchange;
- 3.2.4. detection of misuse of insider information, market manipulation, front running or another offence or suspicion of an offence provided for in legislation, processing these within the limits of the competence provided by legislation and the rules, and submitting them to the FSA for exercising state supervision;
- 3.2.5. organisation of the work of a court of arbitration resolving disputes relating to the organisation of the system and activities of the Tallinn Stock Exchange;
- 3.3. The supervisory activities of the FSA include, above all, the following:
  - 3.3.1. explaining the good practice of the securities market and internationally recognised standards and principles to the market participants, incl. drawing up guidelines and newsletters;
  - 3.3.2. processing violations or suspicions of violations of legislation identified by the Tallinn Stock Exchange (incl. misuse of insider information, manipulation, front running) and, where necessary, enforce the powers of the state or forward the materials to investigative or judicial bodies;
  - 3.3.3. verification of the lawfulness of public offerings and takeover bids;
  - 3.3.4. licensing and follow-up inspection of market participants (incl. on-site and observatory supervision) pursuant to the procedure provided by legislation;
  - 3.3.5. development of cooperation with other supervision authorities (incl. justice bodies, national inspectorates and boards, foreign authorities) and organisations (incl. CESR, IOSCO).
- 3.4. Depending on the need, the purpose of inspection and the agreement of the Parties, the FSA may involve employees of the Tallinn Stock Exchange in exercising state supervision, incl. to use them for carrying out on-site supervision, making an expert assessment, etc.

#### **4. Exchange of information**

- 4.1 The Tallinn Stock Exchange informs the FSA as soon as possible of any identified or learned substantial offence or suspicion thereof. The Tallinn Stock Exchange forwards to the FSA the summaries of the supervisory procedure carried out with regard to these offences and the decisions made. A substantial violation of the rules is not an unwilling mistake (act or omission), which resulted in a violation of the requirements established by legislation or the rules, but which does not influence the ordinary functioning of the market and does not harm the interests and rights of investors and other market participants in any way whatsoever. A substantial violation of the rules means, among other things, market manipulation, misuse of insider information, violation of requirements/prohibitions established by the rules or legislation regarding disclosure of information by issuers, the failure to execute or the delay of execution of a transaction involving a large quantity of securities or a large number of transactions in a regulated securities market, failure to submit information to the Tallinn Stock Exchange or the person maintaining the Estonian Central Register of Securities regarding offers or transactions or a delay in the submission of the same or the inaccuracy, incorrectness or incompleteness of the submitted data as well as an act that, in addition to violation of the provisions of the rules, may have the necessary elements of an offence provided for in legislation.
- 4.2 Upon exercising market supervision, the FSA has the right to inform the Tallinn Stock Exchange as soon as possible of any identified or learned offence or suspicion thereof, provided that such information is important and necessary for exercising market supervision by the Tallinn Stock Exchange and for ensuring the proper functioning of the market.
- 4.3 A Party to the Agreement has the right to inform the other Party in the most effective manner chosen by the informing Party of any such circumstance, which from the point of view of the securities market supervision is relevant (operational, legal, systemic or another risk) or may influence the proper functioning and reliability of the market.
- 4.4 The Parties hold regular meetings at the level of the management and specialists. At the management level the meetings preferably take place once a quarter and at the specialist level preferably once a month. Where necessary, special or thematic meetings may be arranged.
- 4.5 A request for information received from the other Party is satisfied by the time indicated in the request or, in the event of special and urgent requests, without undue delay. A request for information must usually be submitted in writing and be signed. In the case of urgent or extraordinary circumstances a request may be submitted by phone, fax, e-mail, etc. The addressee must immediately start satisfying the request submitted in the manner specified in the previous sentence and the Party that submitted the request must submit an application as soon as possible in accordance with the second sentence of this article.

- 4.6 For the purpose of ensuring smooth communication and exchange of information between the Parties the contact persons of the Parties under the Agreement are as follows:

**Financial Supervision Authority**

Phone: 6 680 525

Fax: 6 680 533

Contact person:

Kristjan-Erik Suurväli – supervision issues

**Tallinn Stock Exchange**

Phone: 6 408 800

Fax: 6 408 801

Contact person:

Annely Ahse – supervision issues

Ahto Kink – legislative drafting and other Agreement-related issues

**5. Submission of trading information**

- 5.1. The Tallinn Stock Exchange grants the FSA free, daily (based on the technical conditions of the trading terminal) and real-time (i.e. no delay) access to trading information. Detailed terms and conditions of access are specified in an additional agreement between the Parties.

**6. Legislative drafting**

- 6.1. The Parties make efforts for the purpose of developing a clear and high-quality regulatory environment that promotes the competitiveness, transparency, development, openness and international integration of the Estonian securities market.
- 6.2. The Parties consult and analyse the impact of national and European Union legislation and their drafts on the securities market.
- 6.3. The Parties to the Agreement constantly exchange information about legal issues, interpretations, etc., in regular meetings and in day-to-day communication.
- 6.4. In the event of initiation, modification or amendment of legislation pertaining to the regulated securities market (incl. the participants thereof) or settlement systems the FSA forwards (or otherwise makes available) the respective draft or proposal to the Tallinn Stock Exchange for the purpose of prior consultations, thereby taking into account the restrictions of forwarding drafts or proposals and the sufficient level of completion of the same.

**7. Confidentiality requirements**

- 7.1. The Parties to the Agreement are authorised to use the non-disclosed data obtained during cooperation solely for supervisory purposes and, upon exchanging information, undertake to ensure the lawfulness of the use of the confidential information prescribed by legislation.

- 7.2. The Parties undertake to maintain, for an unspecified term, the confidentiality of non-disclosed information obtained during cooperation, unless otherwise provided by law.

## **8. Communication with the public**

- 8.1. In a supervisory procedure where the Parties cooperate, they communicate with the public in the manner agreed in the respective procedure. The requirements of disclosure of confidential information provided by legislation are taken into account upon communicating with the public.
- 8.2. Where necessary, the Parties appoint a spokesperson to communicate with the public.

## **9. Disclosure of the Agreement**

- 9.1. The Parties disclose the fact of signature of this Agreement in a joint notice.
- 9.2. Either Party may, at its own discretion, disclose the text of the Agreement on its website or forward it to a third party on a legal basis.

## **10. Final provisions**

- 10.1. The Parties enter into the Agreement for an unspecified term and perform the agreement in good faith and cooperation.
- 10.2. Cooperation between the Parties is pursued pursuant to the principles that each Party bears the expenses relating to cooperation on its own. In exceptional circumstances, if the cooperation results in much higher or substantial expenses than usual for one Party, the Parties may agree on the sharing of the expenses in advance.
- 10.3. In matters not regulated by the Agreement the Parties follow the developed practice or agree on their behaviour separately in advance in every occasion.
- 10.4. The Agreement may be amended by written agreement between the Parties.
- 10.5. Each Party has the right to terminate the Agreement unilaterally by inform the other Party thereof in writing no less than 30 (thirty) days in advance.

10.6. The Agreement has been made in Estonian in two legally equal counterparts, one for the FSA and the other for the Tallinn Stock Exchange.

**Financial Supervision Authority  
Sakala 4  
Tallinn 15030**

**AS Tallinna Börs  
Reg. code 10359206  
Pärnu mnt. 12  
Tallinn 10148**

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Andres Trink  
Financial Supervision Authority  
Chairman of Management Board**

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Gert Tiivas  
AS Tallinna Börs  
Chairman of Management Board**