

## COOPERATION AGREEMENT

Proceeding from the goal of ensuring the reliability and stability of the Estonian financial system and the relevance of the regulation of financial services and financial market (hereinafter the financial sector) and organise respective cooperation between the Ministry of Finance, Eesti Pank and the Financial Supervision Authority (hereinafter jointly as the Parties and severally as the Party),

Relaying on subsection 2 (5) of the Eesti Pank Act, subsection 50 (2) of the Financial Supervision Authority Act and § 65 of the Government of the Republic Act,

Eesti Pank in the person of Andres Lipstok (Governor), the Financial Supervision Authority in the person of Raul Malmstein (Chairman of Management Board) and the Ministry of Finance in the person of Ivari Padar (Minister), hereinafter jointly as the Parties and severally as the Party, have entered into this Cooperation Agreement (hereinafter the Agreement) in the following:

### 1. General provisions

1.1. The Agreement provides for the grounds of cooperation between the Parties in the following areas:

- 1.1.1. policymaking and legislative drafting in the financial sector;
- 1.1.2. establishment of the safety net in the financial sector;
- 1.1.3. financial sector policy cooperation and exchange of information in communication with EU institutions and other international organisations (World Bank, International Monetary Fund, Organisation for Economic Cooperation and Development, etc.);
- 1.1.4. exchange of information on the condition and risks of the financial sector (incl. the financial infrastructure);
- 1.1.5. communication with the public on subjects specified above.

1.2. In cooperation, the Parties proceed from the following principles:

- 1.2.1. **a clear division of the areas of responsibility** between the Parties who pursue cooperation only within the limits of their competence. The Cooperation Agreement does not limit the Parties' powers upon exercising their rights and performing their obligations arising from legislation;
- 1.2.2. **prevention of duplication** both in the event of giving similar functions to the Parties as well as imposing obligations on third parties insofar as it is possible in accordance with legislation and the principle of reasonableness;
- 1.2.3. **regular and operative exchange of information** with the aim of increasing the effectiveness and economy upon performance of the Parties' functions.

1.3. For the purpose of performance of the Agreement the Parties may exchange information, establish joint work groups, involve the employees of other Parties or representatives of market participants or other people who have the required knowledge and experience, upon the consent of the Parties, organise joint training or seminars or otherwise cooperate.

1.4. The Parties appoint contact persons for the performance of the Agreement and communicate their contact details to the other Parties.

## **2. Coordination of cooperation between Parties – Joint Committee**

- 2.1. The Joint Committee is a standing high-level committee that is comprised of representatives of the Parties, coordinates cooperation between the Parties and performs the functions specified in the Agreement.
- 2.2. The Joint Committee:
  - 2.2.1. coordinates cooperation between the Parties and harmonises positions and approves the principles of exchange of information between the Parties;
  - 2.2.2. approves the work plan for drafting financial sector legislation and guidelines;
  - 2.2.3. where necessary, appoints the leading Party for the purpose of resolution of a specific issue or changes a previous appointment;
  - 2.2.4. where necessary, appoints the Parties' representative(s) to communicate with third parties in areas that constitute the object of this Agreement and to the extent provided for in legislation and coordinates the communication between the Parties and communication with third parties;
  - 2.2.5. establishes standing or *ad hoc* work groups for resolution of financial sector problems;
  - 2.2.6. resolves differences between the Parties;
  - 2.2.7. by agreement of the Parties functions not specified in article 2.2 may be given to the Joint Committee.
- 2.3. The Joint Committee acts in financial stability issues as a standing committee, performing, among other things, the following functions:
  - 2.3.1. constant monitoring of financial system risks;
  - 2.3.2. organisation of exercises of regulation of financial crises;
  - 2.3.3. acting as a centre of intermediation of local system risk information and crisis regulation support unit;
  - 2.3.4. cooperation with similar committees of other states, notably the Member States of the European Union.
- 2.4. The members of the Joint Committee include the Chairman of the Management Board of the Financial Supervision Authority, the Deputy Secretary-General of the Ministry of Finance appointed by the Minister of Finance and the Lieutenant Governor of Eesti Pank appointed by the Governor of Eesti Pank. The Parties also appoint replacements for the members of the Joint Committee.
- 2.5. The Joint Committee meets at least once per six months. Each Party has the right to demand that the Joint Committee be called if the Party finds that it is necessary for the performance of the functions specified in article 1.1 of the Agreement.
- 2.6. The Joint Committee is called and the meeting of the Committee is chaired by the member of the Committee representing the Ministry of Finance, unless decided otherwise by the members of the Joint Committee. The Joint Committee is serviced by the Ministry of Finance, unless agreed otherwise by the Parties.
- 2.7. Decisions of the Joint Committee are made by consensus.

## **3. Cooperation in the European Union decision-making process and international communication**

- 3.1. The Parties inform each other of their participation in the work of European Union committees, international institutions and organisations, work groups and task forces (decision-making process), share the respective information in connection therewith and inform of upcoming important events (Incl. seminars, conferences) and, where possible, harmonise their positions.
- 3.2. The final decision-making right in issues that need to be resolved in the decision-making process lies with the Party who participates directly in the decision-making process.
- 3.3. The Party that participates directly in the decision-making process usually allows other interested Parties to actively or passively participate in the decision-making process, provided that such participation is not in conflict with legislation or a binding obligation of the Party or is not otherwise possible.

- 3.4. The Parties cooperate with one another in international communication, provided that it is directly or indirectly related to the competence of other Party (Parties). The Party that participates directly in the international communication decides on the form and scope of cooperation.

#### **4. Drafting financial sector legislation and guidelines**

- 4.1. The Party whose competence includes the drafting of the respective legislation informs other Parties of its intention to draft acts regulating the financial sector and legislation to be established on the basis thereof. If any of the Parties requests it, the Parties shall hold consultations with the aim of identifying the brief and principles of drafting. The results of the consultations are advisory.
- 4.2. The Party that drafted an act or the draft act amendment act submits it to the other Parties for approval or expression of an opinion. The submission of draft legislation for the purpose of obtaining an opinion may be waived if the draft legislation does not concern the competence of other Parties or if the circumstances of processing the draft legislation call for the identification of the other Party's opinion pursuant to a different procedure.
- 4.3. Drafts of regulations and guidelines drawn up by the Parties are submitted to the other Parties for approval or expression of an opinion, provided that according to the author of the draft regulation or guideline it concerns the competence of the other Parties or if the Parties have separately agreed thereon.
- 4.4. The initiator of draft acts or legislative amendments prepared by the Parties in the *Riigikogu* is the Government of the Republic, unless agreed otherwise by the Parties. Draft legislation is submitted to the Government of the Republic via the Ministry of Finance.
- 4.5. If the opinion of third parties (e.g. market participants) needs to be asked about draft legislation, the respective consultations are, where possible, planned in such a manner that they could be completed before the submission of the draft legislation to the Government of the Republic.
- 4.6. The Party submits to the other Parties any important information learned by it regarding other draft legislation, which influences the financial sector.
- 4.7. In cooperation with Eesti Pank and the Financial Supervision Authority the Ministry of Finance annually prepares an action plan for drafting legislation and guidelines influencing the financial sector, which is discussed in the Joint Committee at least once a year not later than on January 31. The Party responsible for drafting each piece of legislation and the coordinating person(s) and the deadlines and milestones of preparation of draft legislation are specified in the action plan. The Parties have the right to make proposals on the action plan.
- 4.8. Where necessary, the Parties immediately inform one another of any major problems that have emerged in the implementation of financial sector legislation and guidelines.

#### **5. Establishment of the safety net in the financial sector**

- 5.1. This Cooperation Agreement regulates cooperation in the establishment of the safety net of the financial sector regarding ensuring the readiness for resolution of the system crisis of the financial sector. For the purpose of controlling and resolving the system crisis of the financial sector, cooperation is pursued in the framework of a separate cooperation agreement made to that end.
- 5.2. Cooperation between the Parties in the field of establishing the safety net covers any and all activities and agreements that are necessary for controlling and resolving the system crisis in the financial sector. Cooperation includes, above all, activities for the development and implementation of a relevant financial sector guarantee framework and prior agreement on the roles of the Parties upon controlling and resolving possible financial sector system crises.

- 5.3. To the extent possible, each Party shares with other Parties information about restrictions and possibilities upon performance of its role in controlling and resolving the system crisis in the financial sector.
- 5.4. The Parties coordinate their positions regarding the Supervisory Board of the Guarantee Fund at the level of the Joint Committee.

## **6. Mediation of information about the status and risks of the financial sector and communication with the public**

- 6.1. According to the availability of information originating from their area of responsibility, the Parties provide one another with information that is necessary for effective operation. The sharing of internal documents, etc., is, among other things, considered the exchange of information. Information is sent either on the initiative of the Party who possesses it or at the request of another Party (other Parties) and to the extent permitted by legislation and contracts and agreements.
- 6.2. The Parties cooperate closely and exchange important information if there has been the risk that certain circumstances or events may considerably influence the situation of the financial sector or if the consequence of certain circumstances or events may be the system crisis in the financial sector.
- 6.3. The Parties cooperate in informing the public and in promoting financial education and knowledge among the population.
- 6.4. Upon cross-border exchange of information, it is usually proceeded from the principle that Eesti Pank shares information with central banks, the Financial Supervision Authority with supervision authorities and the Ministry of Finance with ministries. If a Party needs to exchange information without regarding the aforementioned principle, the Party shall, in general, consult the Party who usually exchanges information with the relevant institution.
- 6.5. For the purpose of ensuring timely and coordinated exchange of information the Parties draw up joint lists of internal contact persons, which are updated when and where necessary, but not less than once a year.
- 6.6. Where possible, the Parties coordinate with one another the scope and contents of each statement which concerns at least two Parties, provided that the statement is subject to disclosure to the public, foreign states, international organisations or institutions of the European Union. The statement is submitted as a joint statement of the relevant Parties or it is agreed beforehand which Party will make the statement.

## **7. Confidentiality**

- 7.1. The information exchanged by the Parties is confidential, unless otherwise provided by the Agreement or legislation.
- 7.2. The Parties ensure that any and all persons who come into contact with the confidential information undertake to perform their confidentiality requirements to the extent provided by relevant legislation.
- 7.3. The information exchanged in the framework of the Agreement may be used only in accordance with the goals of the Agreement.
- 7.4. The Parties may disclose confidential information obtained from foreign institutions or persons to an employee or public servant of the other Party who needs the information for performance of their duties, provided that the informed employee or public servant is obligated to preserve the confidentiality of the information and the disclosure of the information is not in conflict with the Party's obligation arising from legislation or a contract or agreement.

## 8. Validity, amendment and modification of the Agreement

- 8.1. The Agreement has been made for an unspecified term and it enters into force as of the moment of signature by all the Parties.
- 8.2. The Parties evaluate the relevance of the Agreement at least once every three years and, where necessary, amend it. The lists of the contact persons are reviewed at least once a year and they are updated, where necessary.
- 8.3. The Cooperation Agreement made between the Parties on 1 November 2002 is annulled as of the entry into force of the Agreement.

Ministry of Finance

Eesti Pank

Financial Supervision  
Authority

Ivari Padar  
Minister

Andres Lipstok  
Governor

Raul Malmstein  
Chairman of Management  
Board

“...” December 2007

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