
Investment

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Finantsinspektsioon carries out state supervision over investment firms, fund managers, and investment and pension funds that operate under activity licences granted by Finantsinspektsioon, and over the securities market.

- Supervision over branches of investment firms operating in Estonia is exercised by the supervision authority of the home country of the bank.
- Providers of cross-border investment services are also supervised by the supervision authority of their home country.

What is an investment firm?

An investment firm is a company whose main activity is providing investment services.

Investment services are:

- buying or selling securities in the trader's own name on the client's account;
- buying or selling securities in the client's name on the client's account;
- receiving orders for securities transactions from clients and forwarding them or carrying them out on the client's account;
- trading in securities on the trader's own account;
- managing a portfolio of securities separately for each client in accordance with the client's instructions;
- underwriting the issue of securities;
- organising the issuance of securities, public offers, or the acceptance of securities for trading on a regulated market.

A licence is needed to operate as an investment firm, and this is issued by Finantsinspektsioon.

What is a fund manager?

The main work of a fund management company is to manage a fund or securities portfolios. Fund management means managing the issuance of a fund's shares or units, deciding the investment of the fund's assets, keeping accounts of the fund's assets, and conducting other operations directly

related to these activities. A management company may manage several funds.

The money, securities and other assets of the fund are kept in a depository under a deposition agreement signed between the fund manager and the depository.

The fund manager and the depository must hold their own assets in accordance with the agreed asset solution. The assets of the fund are not a part of the bankruptcy estate of the fund manager and the depository and cannot be used to pay off the creditors of the fund manager or the depository.

A licence is needed to manage investment and pension funds, and this is issued by Finantsinspektsioon.

Fund management is:

- investing the assets of the fund, which includes deciding the investment policy of the fund and taking investment decisions about where to place the assets of the fund;
- issuing shares or units in the fund and organising their withdrawal or repurchase;
- where needed, issuing documents confirming ownership of shares to unit owners or shareholders in the fund;
- providing relevant information and other client services to shareholders and unit owners in the fund;
- organising the marketing of shares and units in the fund;
- keeping accounts of the assets of the fund and organising the contractual accounting of the fund;
- setting the net value of the assets of the fund;
- organising registration of the units, and where necessary shares, of the fund;
- calculating the income of the fund and organising the distribution of income between the shareholders and unit owners of the fund;
- ensuring the activities of the fund and the fund manager comply with the law and other legislation, and employing an appropriate internal control system for this.

What are investment and pension funds?

Investment and pension funds are pools of assets or companies that are established to make collective investments, and which are managed, or whose assets are managed, by management companies using the principle of risk distribution.

A licence is needed to manage investment and pension funds, and this is issued by, and can be withdrawn by, Finantsinspektsioon.

Who are professional participants in the securities market?

Professional securities market participants are investment firms, credit institutions, fund managers, operators of regulated securities markets, and operators of security settlement systems.

A licence is needed to operate as a professional securities market participant, and this is issued by Finantsinspektsioon.

- **Operator of a regulated market:** a regulated market is an operational, legal and technical

system that allows trading in securities, and where people can offer securities transactions to one another simultaneously or non-simultaneously, and can make securities transactions themselves. The operator of a regulated market needs to have an operating licence from Finantsinspeksioon.

- **Operator of a security settlement system:** a security settlement system is an aggregate of organisational, technical and legal solutions that operates under an agreement between at least three system members and the system operator to meet the obligations of securities settlements and make sure any other obligations arising from the system are met. The system operator arranges the execution of transfer orders and depending on how the system is operated, may also offset claims between system members.

Venues for trading in the regulated securities market

The venue where the trades in the securities market can be made can be the regulated market, a multilateral trading facility, or a systemic executor of client orders.

A regulated securities market is a multilateral system of organisational, legal and technical solutions that allows trading with securities taken there to trade and where different parties interested in owning and transferring securities are brought together on an equal basis.

The operator of a regulated market needs to have an operating licence from Finantsinspeksioon.

The operator needs to apply for a separate licence for each regulated market. An operating licence for a multilateral trading system can be applied for together with an operating licence for a regulated market or after the regulated market licence has been received.

There can only be one operator for each regulated market. The operator does not have the right to engage in activities that are not connected to operating a market or a multilateral trading system or that pose a threat to the orderly and reliable functioning of the market or multilateral trading system or to the activities of the operator.

The operator sets the [market regulations](#) to ensure the orderly and legal functioning of the market.