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# The history of the creation of joint financial supervision

The Financial Supervision Authority, which was launched on 1 January 2002, joined the functions of Eesti Pank's Banking Supervision Authority and the Ministry of Finance's Insurance Supervision Authority and Securities Inspectorate.

## Banking Supervision

The Banking Supervision Authority of Eesti Pank (BSA) was established in December 1991 and started to carry out its functions in the spring of 1992. The BSA employed ten persons at the end of 1992. In 1992, there were 40 banks in Estonia and their activities were rather chaotic. The primary task of the BSA was to ensure the stability of the banking system, especially in 1993-1994. At some point in time, this function was almost crucial to the stability of the Estonian monetary system. Elimination of the consequences of the banking crisis that started at the end of 1992 and reorganisation of the banking system meant an immense workload for the BSA. The internal functions and distribution of work of the BSA had to be determined at the same time. The BSA was led by **Margus Tilga** till the end of 1993. In 1994, **Pilvia Nirgi** was appointed as the Head of the BSA, and **Anu Holter** and **Andres Sutt** were her deputies. The BSA employed 15-20 people on average.

After Pilvia Nirgi resigned in May 1998, Deputy Head **Andres Kurgpõld** temporarily performed the functions of the Head of the BSA. **Andres Trink** was appointed as the Head of the BSA in January 1999; Andres Kurgpõld continued as the Deputy Head.

## Insurance supervision authority

The Insurance Supervision Authority (ISA) was established in the field of administration of the Ministry of Finance on 1 January 1993. **Ellen Ridaste** led the ISA for the first eight years. In January 2001, Ellen Ridaste resigned in line with the new Insurance Act, according to which the term of office of the Director General of the ISA ended on 31 December 2000. Deputy Director General **Kaido Tropp** started to lead the ISA in the capacity of Director General and was appointed to Director General in May 2001.

## Securities inspectorate

The Securities Authority was established in the field of administration of the Ministry of Finance on 1 January 1994. **Vahur Lokk** became the Director General. In 1996 the Securities Authority was reorganised as the Securities Inspectorate (SI). In April 1997, Minister of Finance **Mart Opmann** granted the resignation application of Vahur Lokk, Director General of the SI; Marek Mägi took the position in September 1997.

In the meantime, the SI was led by Deputy Director General **Indrek Jakobson** in the capacity of Director General.

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**Marek Mägi** resigned in August 2000; Andre Nõmm and then **Lelo Liive** were temporarily appointed to lead the SI after that. **Kristjan-Erik Suurväli** became the new Director General of the SI in January 2001.

## Creation of a single supervision function

State supervision over banking, insurance, and the securities market via a single competent authority was considered necessary for many important reasons. Firstly, the need for this arose from the progressing integration of financial markets and services, reduced specialisation and a growing degree of intertwining of various financial services. Joint supervision also facilitates more efficient risk assessment and crisis management and ensures a uniform quality of financial supervision over the various parts of the financial market.

The need for a single supervision authority became especially obvious with the bankruptcy of Maapank in the summer of 1998. The reform was requested by the Supervisory Board of Eesti Pank in its decision of 4 March 1999, and by the Government of the Republic at its sessions of 8 June and 13 July 1999. Under the decision taken at the Government session of 13 July 1999, the Minister of Finance set up a committee on 4 August 2000 for drafting the Financial Supervision Act. The committee consisted of representatives of Eesti Pank, the Ministry of Finance, Securities Inspectorate and Insurance Supervision Authority.

The committee presented the draft Act to the Ministry of Finance on 16 October 2000. The draft Act defined the objective, activities and the bases for financing of financial supervision. According to the draft Act, the new authority was to exercise state supervision over companies operating on the banking, insurance, and securities markets. The Government of the Republic submitted the draft Act to the Riigikogu in December 2000. During the second reading of the Financial Supervision Authority Act, the Riigikogu decided that the authority would be established under Eesti Pank.

The Financial Supervision Authority Act was adopted by the Riigikogu on 9 May 2001. On the same day, the Riigikogu also adopted an amendment act with respect to the acts related to the implementation of the Financial Supervision Authority Act. This marked a fundamental reform in the supervision of the Estonian financial sector.

The first supervisory board of the FSA consisted of **Siim Kallas, Vahur Kraft, Matti Klaar, Veiko Tali, Andres Sutt,** and **Ruut Mägi**. In July 2001, the supervisory board appointed Andres Trink, Head of Eesti Pank's Banking Supervision Authority, as the temporary chairman of the management board of the new authority. In addition to Trink, the management board included Kristjan-Erik Suurväli, Head of the Securities Inspectorate, and Kaido Tropp, Director General of the Insurance Supervision Authority. The management board was given the task of coordinating preparations for the creation of joint financial supervision to be launched on 1 January 2002.

In September 2001, the supervisory board of the FSA approved the management board's presented strategy for the supervision body for the years 2002-2003, as well as the principles of organisational structure and the rules and regulations of the supervisory board. In December 2001, the supervisory board appointed Andres Trink as the chairman of the management board from 1 January 2002; Kristjan-Erik Suurväli and Kaido Tropp continued as members of the management board. **Kilvar Kessler** and **Andres Kurgpõld** were appointed as new members of the management board. Andres Kurgpõld started to direct the capital supervision function, covering credit institutions and investment firms.

Kilvar Kessler became responsible for legal issues in the financial sector.

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From 1 July 2002, **Angelika Koha**, former Head of the Investment and Pension Funds Supervision Department, was appointed by the supervisory board of the FSA as a member of the management board.

A structural change was effected in June 2005, through which the FSA organised its work based on supervision of capital and supervision of services. Supervision of capital mainly covers the solvency and sustainability of market participants, while supervision of services is aimed at ensuring the transparency, reliability and efficiency of financial services.

The management board of the FSA currently consists of Kilvar Kessler (chairman), Andres Kurgpõld and Andre Nõmm.