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# The operating licence for a fund manager

## Related links

[The Investment Funds Act](#)

The main and permanent work of a fund management company is to manage the assets of a fund established as a company or a contractual fund. A management company may manage several funds. Alongside fund management, the management company may provide the following services:

- managing a securities portfolio within the meaning of the Securities Markets Act;
- investment advice;
- holding fund units or shares for clients;
- fund management services within the meaning of the Investment Funds Act for funds whose assets it does not manage.

A licence is needed to operate as a fund manager, and this is issued and can be withdrawn by Finantsinspeksioon.

## The operating form for a fund manager

A fund management company is a business whose main work is to manage investment funds 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 operations of fund managers are regulated by the Investment Funds Act. The law requires public investment funds, including pension funds, to have an operating licence as a fund manager, and this is issued by Finantsinspeksioon. Operating licences are also needed by fund managers that want to manage euro funds and large-scale alternative investment funds.

To manage a small fund, the fund manager should apply for an operating licence as a small fund manager or register its activities with Finantsinspeksioon. Small fund managers can only manage non-public investment funds, meaning their business is primarily aimed at professional investors.

A management company of an unlicensed small fund that does not wish to apply to Finantsinspeksioon for an operating licence as a small fund manager must register its activities with Finantsinspeksioon. Finantsinspeksioon's supervision over registered unlicensed small fund managers is limited to the registration process and later collection of statistical reporting.

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## Cross-border fund management companies

Within the European Union, fund management companies established in one member state have the right to offer investment funds in other member states. Ordinary investors can publicly be offered regulated euro funds (UCITS) internationally, while professional investors can non-publicly be offered alternative investment funds (AIF, EuVECA). Investment funds offered internationally in Estonia must follow the regulations of the European Union directives in their operations, and must also follow the rules in the legislation of the Republic of Estonia, primarily the Investment Fund Act.

Finantsinspektsioon does not directly supervise investment funds offered internationally, as this is the responsibility of the financial supervision authority of the home country of the investment fund.

## Unlicensed small fund managers

A management company of an unlicensed small fund that does not wish to apply to Finantsinspektsioon for an operating licence as a small fund manager must register its activities with Finantsinspektsioon.

To register, the applicant must submit to Finantsinspektsioon the data and document required by the Investment Funds Act in the form described. The application must also submit a legal analysis that shows the circumstances of the investment fund and its management and the need for registration.

Finantsinspektsioon's supervision over registered unlicensed small fund managers is limited to the registration process and later collection of statistical reporting.

## Specialised fund management

The directly applicable regulations of the European Union allow management companies to register activities additionally for specialised fund management. Registration and related issues are set out in more detail in the regulations for specialised fund management (EuVECA, EuSEF, ELTIF, and MMF).

## Applying for an operating licence as a fund manager

To apply for an operating licence, the members of the management of the fund manager being established submit a written application to Finantsinspektsioon and the documents and data required by the Investment Funds Act:

1. A copy of the statutes for a business that is operating, any decision by the general meeting to amend the statutes, and the amended text of the statutes;
2. A notarised copy of the foundation contract for a business being founded and documentation proving that share capital has been paid in;
3. A business plan that meets the requirements of the Investment Funds Act;
4. The initial balance of the applicant and a review of income and expenses or the balance and profit report as at the end of the month prior to the application for an operating business, and annual reports for the past three years if they exist;
5. Internal rules or proposals for them;
6. Information on the members of the management board and supervisory board, including their first and family names, personal ID codes or date of birth if they have no ID code, place of residence, description of education, full list of jobs and positions held, and for members of the

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management board a list of their areas of responsibility, together with any documentation that the applicant considers relevant for demonstrating their trustworthiness and compliance with the requirements;

7. Information on the auditor and internal auditor of the applicant, giving their names, places of residence or locations of operations, and personal ID codes or dates of birth or registry code if there is no ID code;
8. The first and family names of the managing director of the fund, their personal ID code or date of birth if they have no ID code, place of residence, a description of their education, a list of jobs and positions held in the past three years, and a copy of the contract with the managing director in which they agreed to take on the role of managing director once the licence has been granted;
9. A list of the shareholders of the applicant showing the name of each shareholder or member, their registry code or ID code, or date of birth if they have none, and details on the share or equity holdings of each shareholder and the voting weight given to them;
10. Data on people who directly or indirectly control more than 10% of the voting shares of the applicant;
11. Data on any business that the applicant or its management or supervisory board members or managing director holds more than 20% of, where those data include the size of its share or equity capital, a list of its areas of activity, and the size of the holding of the applicant and each manager;
12. Documentation certifying the value of net own funds for a business that is already operating, together with the auditor's report;
13. Internal rules or proposed rules for bookkeeping;
14. If the applicant is applying for an operating licence together with the right to provide the services listed in § 9 (1) 2 or 3 of the Investment Funds Act, then documents demonstrating the one-off payment to the Investor Protection Sectoral Fund has been made.

If it is not possible to tell for certain from the documents and information submitted whether or not the applicant for an operating licence is sufficiently capable of managing a fund or whether it meets the requirements, or if it is necessary to check other details concerning the applicant, Finantsinspeksioon may request further information and documents.

## **Time limit for procedures**

The decision to issue an operating licence or to refuse it is taken by Finantsinspeksioon within two months after all the necessary documentation and data have been received, and not later than six months after the application for the operating licence has been received.

## **Application fee**

The fee for applying for an operating licence as a fund manager is 1000 euros.

