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# The operating licence for a credit institution

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The main job of a credit institution, or bank, is to take in deposits of money and other repayable funds from the public and to issue loans on its own account or to finance them in other ways. To create a credit institution, an activity licence needs to be applied for from Finantsinspektsioon.

Only businesses that take in deposits from the public have the right to use the name 'bank'. The only businesses established in Estonia that are allowed to take in deposits from the public are those that have a licence from Finantsinspektsioon to operate as a credit institution.

## Applying for an operating licence as a credit institution

To receive an operating licence, the members of the management of the business being set up or operating must submit a written application to Finantsinspektsioon and the documents and data listed in the Credit Institutions 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 or decision for a business being founded and documentation proving that share or equity capital has been paid in;
3. A business plan that meets the requirements of the Credit Institutions Act;
4. Documentation certifying the value of net own funds for a business that is already operating, together with the auditor's report;
5. 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;
6. Data on the information technology and other technological equipment and systems, security systems, and control mechanisms and systems that will be needed for provision of the

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- planned financial services;
7. The internal rules and procedural rules regulating activities and proposals for them as required by the credit institutions act and by the terms of the Securities Market Act concerning internal rules if the business plan expects investment services to be provided;
  8. Internal rules or proposed rules for bookkeeping;
  9. The statutes or proposed statutes of the internal audit unit;
  10. Information on the members of the management board and supervisory board, the head of the internal audit unit and the chair of the audit committee, 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 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 Credit Institutions Act;
  11. Information on the auditor of the applicant, giving name, place of residence or location of operations, and personal ID code or date of birth or registry code if there is no ID code;
  12. A list of the shareholders or members 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 or member and the voting weight given to them;
  13. Documents showing the material wealth for the past three years of any person who will be a shareholder or member of the applicant, if their share is larger than 2% of the equity capital or the voting weight of the applicant;
  14. The statutes of a legal person who will be a shareholder or member of the applicant and their annual reports for the past three years together with the auditor's report and a list of their shareholders, with details on their share in the equity of the business if the legal person has a share of more than 5% of the applicant's equity capital or voting rights;
  15. The data required by the Credit Institutions Act for people who will hold a significant share of the applicant, which include:
    1. The name or description of the owner, their place of residence or of operations and the registry code if there is no such place, an approved copy of the registry entry for a business, and a copy of the statutes if any;
    2. Details of the members of the management board and supervisory board of the owner;
    3. The annual reports for the past three years if such exist, together with the auditor's report;
    4. For an owner that is part of a consolidated group, a description of the structure of the group together with details on the equity participation of the businesses in the group and the annual reports of the group for the past three years together with the auditor's reports;
    5. Documentation certifying the material wealth for the past three years of a physical person as owner;
    6. Data and documentation on the origin of the financial and non-financial funds that are planned to be used to acquire the significant participation;
  16. Data on businesses in which the applicant or its managers have a participation of more than 20%;
  17. A document in which the applicant undertakes to make the one-off payment to the Deposit Guarantee Sectoral Fund as required by the Guarantee Fund Act and the one-off payment to the Investment Guarantee Sectoral Fund if the business plan expects investment services to be provided.

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

## **Share capital and own funds of the bank**

When a bank is founded the share capital paid in must be at least five million euros. Only real sums paid in may be indicated as equity capital of the bank. When a bank is founded the shares may be paid for only in money. Money paid in is transferred to an account opened at Eesti Pank in the name of the bank being founded or to an account opened at an Estonian credit institution. The bank cannot be founded with publicly subscribed shares.

## **Time limit for procedures**

The procedures for issuing an operating licence to a bank take 6-12 months. The decision to issue an operating licence or to refuse it is taken by Finantsinspektsioon within six months after all the necessary documentation and data have been received, and not later than 12 months after the application for the operating licence has been received.

## **Application fee**

The fee for applying for an operating licence as a credit institution is 1500 euros.

## **Setting up a branch of a credit institution in a country in the European Economic Area**

A credit institution that wants to set up a branch in another country in the European Economic Area must inform Finantsinspektsioon of its plans and submit the following data and documents to Finantsinspektsioon:

1. the name of the EEA state where the credit institution wishes to set up a branch;
2. an operating plan for the branch that must include data on all the financial services that it is planned to provide in the EEA state and a description of the organisational structure of the branch;
3. the address of the branch in the EEA state;
4. details of the management of the branch. These data are to be submitted in accordance with the Credit Institutions Act.

In submitting the notification concerning the licence for a branch to Finantsinspektsioon, credit institutions must use the form in Annex I to Commission Implementing Regulation (EU) No 926/2014.

The documents required for establishing a branch are to be submitted in Estonian with an authorised translation into the official language or one of the official languages of the EEA state where the credit institution wishes to establish its branch.

The procedural fee noted in the Financial Supervision Authority Act does not apply when a branch of a credit institution is established in another country.

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The requirements for managers of the branch are set out in the Credit Institutions Act and the Commercial Code. The head of the branch must be a natural person with capacity to act. The place of residence of at least one manager must be in a country of the European Economic Area or Switzerland. The head of the branch may not be a person who has been banned from management activities by court order under the penal code, or a person who is banned from acting in the area of business where the branch will operate, or who has been banned from being a member of a management board by law or by resolution of the courts.

If several managers are appointed to the branch, the branch may be represented by any of them if it is not stated that the branch may only be represented by one or some of the managers.

For a person to be elected or appointed as head of the branch, their written personal agreement is required. Together with this written agreement, the following data and documents on the head of the branch must be submitted to Finantsinspeksioon:

- a summary of their education;
- a summary of their work experience;
- a review of their participation in business and of any penalties noted in the criminal records database;
- a signed statement that there are no circumstances defined in the Credit Institutions Act that would prevent them taking up the position of head of a credit institution.

## **Time limit for procedures**

The procedure for setting up a branch of a credit institution in the European Economic Area can take five months.

Finantsinspeksioon decides whether or not to forward the data and documents to the financial supervisory authority of the EEA state within three months of having received all the data and documents. Finantsinspeksioon informs the credit institution immediately as to the decision of whether or not to forward the data and documents.

A credit institution may establish a branch in an EEA state if it has received the conditions from the financial supervision authority of the EEA state for establishing a branch in that country. If the financial supervision authority of the country where the branch is to be founded has not given its conditions within two months of receiving the documents and data, the credit institution may establish a branch in that country.

The credit institution must inform Finantsinspeksioon and the financial supervision authority of the country where the branch is to be founded of any change in the data and documents listed in the Credit Institutions Act, such as the operating plan, financial services to be provided, organisational structure, head of the branch, address of the branch and so forth, at least one month before the changes come into force.

In submitting the notification concerning changes in the data to Finantsinspeksioon and the financial supervision authority of the EEA state, credit institutions must use the form in Annex I to Commission Implementing Regulation (EU) No 926/2014, unless the change relates to the planned termination of activities of the branch. In submitting the notification concerning the termination of activities of the branch to Finantsinspeksioon and the financial supervision authority of the EEA state, credit institutions must use the form in Annex IV to Commission Implementing Regulation (EU) No

Please note: Finantsinspektsioon does not advise the founder of the branch on matters of business law, including establishing a branch, or tax law. It is recommended to contact appropriate legal advisers on such matters.

## **Setting up a branch of a credit institution in a foreign country**

Under the Credit Institutions Act, if a credit institution wants to establish a branch in a foreign country, it must submit the following data to Finantsinspektsioon to apply for a licence:

1. the name of the foreign country;
2. the address of the branch;
3. the operating plan of the branch, a detailed description of the planned activities, a description of the organisational structure, and its relation with the credit institution founding it;
4. details of the management of the branch. The head of the branch must meet the requirements in the Credit Institutions Act for the chair of the management board.

Finantsinspektsioon may require clarification of these data and additional documents and information for further confirmation.

### **Time limit for procedures**

Finantsinspektsioon informs the financial supervisory authority of the foreign country of the submitted application within three months, counted from when Finantsinspektsioon receives the application or the additional data and documents requested.

The reasoned decision to issue or refuse the licence is given by Finantsinspektsioon in writing to the credit institution within three months of receipt of the application or the additional data requested by Finantsinspektsioon.

## **Setting up a branch of a credit institution from the European Economic Area in Estonia**

A credit institution from an EEA state that wants to establish a branch in Estonia to provide financial services, providing its operating licence as a credit institution in the EEA state covers the provision of such services, informs Finantsinspektsioon through the financial supervision authority of the EEA state. The following data and documents are presented to Finantsinspektsioon:

1. an operating plan for the branch that must include data on all the financial services that it is planned to provide in Estonia and a description of the organisational structure of the branch;
2. the address of the branch;
3. details of the management of the branch in accordance with §48 (7) of the Credit Institutions Act.

Finantsinspektsioon immediately informs the financial supervision authority of the EEA state that it has received the data and documents. Finantsinspektsioon may if necessary take a decision within two months of receiving the data noted above applying additional requirements in the public interest by which the credit institution must abide within Estonia. Finantsinspektsioon immediately informs the

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financial supervision authority of the EEA state of its decision.

A credit institution from an EEA state may establish a branch and start operations once it has received authorisation from the financial supervision authority of its home country or once two months have passed since the date that Finantsinspektsioon received the documents and data listed in the Credit Institutions Act.

The requirements for managers of the branch are set out in the Credit Institutions Act and the Commercial Code. The head of the branch must be a natural person with capacity to act. The place of residence of at least one manager must be in Estonia, another country of the European Economic Area or Switzerland. The head of the branch may not be a person who has been banned from management activities by court order under the penal code, or a person who is banned from acting in the area of business where the branch will operate, or who has been banned from being a member of a management board by law or by resolution of the courts.

If several managers are appointed to the branch, the branch may be represented by any of them if it is not stated that the branch may only be represented by one or some of the managers.

For a person to be elected or appointed as head of the branch, their written personal agreement is required. Together with this written agreement, the following data and documents on the head of the branch must be submitted to Finantsinspektsioon:

1. a summary of their education;
2. a summary of their work experience;
3. a review of their participation in business and of any penalties noted in the criminal records database;
4. a signed statement that there are no circumstances defined in the Credit Institutions Act that would prevent them taking up the position of head of a credit institution.

If the branch changes its operating plan, financial services provided, or organisational structure, or if the contact details of the branch or the head of the branch change, Finantsinspektsioon must be informed of the changes at least one month in advance.

## **The name of the branch of the credit institution**

The commercial code requires the business name of a branch of a foreign business in Estonia to consist of the name of the business and the words "Eesti filiaal". A branch of a credit institution may add the location of the administrative unit of the branch or another place name to the business name of the credit institution.

A credit institution from a foreign country may operate in Estonia under the business name that is registered in the country where it is established if that is clearly distinguishable from the other business names in the Estonian business register. If there is a danger that the business name is not clearly distinguishable, Finantsinspektsioon has the right to require something extra to be added to the business name.

The business name of a credit institution may not give the impression that it is some other credit institution or a central bank.

## **Time limit for procedures**

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Finantsinspeksioon takes its decision within two months of receiving the data and documents needed for establishing a branch. Finantsinspeksioon informs the financial supervision authority of the home country of the credit institution and the credit institution itself or its representatives of the decision during the establishment procedure for the branch.

Under the commercial code, the Estonian branch of a foreign business must be listed in the Estonian commercial register. The branch of a foreign business is entered in the commercial register of its country of location following an application from the head of the branch giving the data required by law and with any necessary documentation attached to it. When the Estonian branch of a credit institution from another country is entered in the commercial register, the Credit Institutions Act requires it to submit a confirmation from Finantsinspeksioon of receipt of the data and documentation and the decision by Finantsinspeksioon if there is one. A branch of a credit institution may be established and start operations after receiving a decision from Finantsinspeksioon or after two months have passed since the data and documentation listed in the Credit Institutions Act were submitted to Finantsinspeksioon.

### **Processing and supervision fees**

No processing fee needs to be paid to Finantsinspeksioon for establishing a branch of a credit institution in Estonia. The branch of the credit institution pays the supervision fee to Finantsinspeksioon at the rate and under the conditions set in the Financial Supervision Authority Act.

### **Setting up a branch of a credit institution from a foreign country in Estonia**

Under the Credit Institutions Act, the foreign credit institution establishing a branch in Estonia must apply to Finantsinspeksioon for a licence by submitting an application with the following data and documents:

1. the operating plan of the branch being established, a detailed description of the planned activities, the description of the organisational structure, and its relation with the credit institution founding it;
2. the address of the branch;
3. details of the management of the branch in accordance with the Credit Institutions Act;
4. the documentation required by § 386 (2) 1), 3), 4) and 5) of the commercial code.

The approval of the financial supervision authority from the home country of the credit institution for the establishment of a branch in Estonia must also be submitted to Finantsinspeksioon together with confirmation that the credit institution has a current operating licence, and data on the size of the own funds of the credit institution, its capital adequacy and the deposit guarantee system of its home country.

If the data and documentation that are required for establishing the branch are in a foreign language, the credit institution from a foreign country must submit them together with an Estonian translation.

### **Time limit for procedures**

Finantsinspeksioon issues the licence or gives its reasoned decision for refusing to do so within two

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months of receiving the application and all the data and documentation. The applicant is informed immediately of the decision.

## Reporting

A branch of a foreign credit institution that provides financial services in Estonia under the Credit Institutions Act must comply with the Eesti Pank regulations for ensuring security, countering money laundering and similar. The branch must also submit all the reports required by Eesti Pank other than the prudential ratio reports.

Reports are submitted to Finantsinspeksioon electronically. Additional information can be requested from [aruandlus@fi.ee](mailto:aruandlus@fi.ee).

## Providing cross-border services in countries in the European Economic Area

The freedom for credit institutions to provide cross-border services comes from Article 39 of Directive 2013/36/EU of the European Parliament and of the Council.

The Credit Institutions Act requires a credit institution that plans to provide cross-border services in a foreign country to inform Finantsinspeksioon of its plans and to submit the following data and documentation:

1. the name of the country where the credit institution plans to provide cross-border services;
2. a description of the proposed cross-border services that must include a list of the transactions and files that will be offered in the foreign country as required by § 6(1) of the Credit Institutions Act.

In submitting the notification concerning the provision of services to Finantsinspeksioon, credit institutions must use the form in Annex V to Commission Implementing Regulation (EU) No 926/2014.

The documents and data are to be submitted in Estonian with an authorised translation into the official language or one of the official languages of the EEA state where the services will be provided.

Finantsinspeksioon decides whether or not to forward the data and documents to the financial supervisory authority of the EEA state within one month of having received the notification. Finantsinspeksioon informs the credit institution immediately as to the decision of whether or not to forward the data and documents.

The credit institution may start providing cross-border services in the EEA state after the data and documentation have been sent by Finantsinspeksioon to the financial supervision authority of that state, within the provisions of the law of that state and the conditions set by its financial supervision authority.

## Providing cross-border services in Estonia

A credit institution from an EEA state that wants to start providing cross-border services in Estonia informs Finantsinspeksioon through the financial supervision authority of that state, indicating the



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transactions and operations that it intends to start providing.

In submitting the notification concerning the provision of services to Finantsinspektsioon, credit institutions must use the form in Annex V to Commission Implementing Regulation (EU) No 926/2014.

A credit institution from an EEA state may start providing cross-border services in Estonia once the notification has been sent to Finantsinspektsioon by the financial supervision authority of the EEA state.

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