
International cooperation

Financial stability in Estonia depends directly on the harmonisation of supervisory methods and on the efficient exchange of information with other countries in the European Union. Finantsinspektsioon works closely with supervisory authorities in other countries of the European Union in order to achieve this. Finantsinspektsioon has signed cooperation agreements with several other supervisory authorities.

Since 2011 the banks, insurance firms, and securities markets in the European Union have come under supervision from three single supervisory authorities:

- the European Banking Authority (EBA)
- the European Insurance and Occupational Pensions Authority (EIOPA) and
- the European Securities and Markets Authority (ESMA).

The work of these institutions is funded by the supervisory authorities of the member states and by the European Union.

These three European Union institutions coordinate operations with the national financial supervisory authorities and propose drafts for legal acts to the European Commission. These legal acts can be directly applicable and can take precedence over the law of the member states. The single financial supervisory institutions can also issue guidelines and recommendations for national supervisors.

Having single institutions helps to avoid supervisory practice developing in different directions, so that for example one country applies the European Union rules with full strictness, while in others little attention is paid to breaches of the rules. The institutions need to be ready to react if a member state does not apply European Union law correctly. In exceptional circumstances an institution can issue a compulsory order to a bank, insurance firm or other subject of supervision in order to correct a breach of European Union law. If there is a crisis that affects the whole or part of the European Union, the single supervisory institutions can coordinate the national authorities in resolving the problem. In a crisis, single institutions have the right to issue binding decisions for the financial supervisory institutions of the member states.

The management of the European supervisory institutions is chosen by a council made up of the heads of the supervisory authorities of the member states. A majority of the decisions at the institutions are taken by a simple majority of the council, where each member state has one vote. More important decisions use qualified majority voting and the votes are distributed in accordance with the Treaty of Nice. This means that since 2011 Finantsinspektsioon has been involved in the management of the European financial supervisory institutions and in taking decisions that affect the European Union.

On 29 June 2012 the heads of state of the euro area decided to set up single banking supervision based at the European Central Bank for the countries of the euro area so the European Central Bank

would have the right to supervise credit institutions operating in the euro area. On 13 December 2012 the committee of European finance ministers, ECOFIN, agreed the first draft of the regulation establishing the single supervisory mechanism (SSM) for banking in Europe. The SSM is intended to ensure single and strong capital supervision over credit institutions carried out jointly by the European Central Bank and the national supervisory authorities. The Single Supervisory Mechanism started operation on 4 November 2014 and all the countries of the euro area are involved in it and non-euro area countries can also join it by agreement.

The second foundation of the banking union that is being established in the European Union, alongside the SSM, is the Single Resolution Mechanism (SRM) to recover insolvent banks and resolve banking crises. The crisis resolution authority in Estonia has been Finantsinspektsioon since spring 2015. The Single Resolution Board (SRB) started work in 2015 and its job is to ensure that winding up the operations of banks that have fallen into difficulty has minimal impact on the non-financial economy and on funding both within the euro area countries and outside of them.

The European Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA)

The European Commission published a package of proposals on 20 July 2021 to improve the effectiveness of the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (AML/CFT) in Europe. One proposal in the package was to create a new institution in the European Union to fight against money laundering. The European Parliament passed the package of measures against money laundering on 24 April 2024, and on 30 May 2024 the European Council approved the new legal acts designed to protect the citizens and the financial system of the European Union against money laundering and terrorist financing. The European **Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA)** was created to supervise the new rules for fighting against money laundering, and it will start work in 2025 in Frankfurt. Work will be done in 2025-2026 on increasing the supervisory capacity, primarily by creating the infrastructure and hiring the supervisory staff. Forty businesses will be selected in 2027 to come under the direct supervision of AMLA. Direct supervision by AMLA over the financial institutions selected will start in 2028, and it is planned that AMLA will be fully operational from that year.

The main tasks of AMLA:

- to conduct direct supervision over selected financial sector companies operating across borders and at high risk of money laundering and terrorist financing;
- to conduct indirect supervision over all the companies in the financial and non-financial sector;
- to support and coordinate the work of financial supervisors and financial intelligence units (FIU), which includes single cross-border analysis of incidents, allowing controlled exchange of information, offering opportunities for more comprehensive data analysis, and managing the single FIU.net information system;
- to extend the anti-money laundering and terrorist financing rules of the European Union with regulatory and implementing standards and by issuing guidelines.

Finantsinspektsioon also works together with Eesti Pank at the European Systemic Risk Board (ESRB). Finantsinspektsioon is a member of several other global organisations outside the European Union institutions:

- The International Association of Insurance Supervisors (IAIS);
- The Group of Banking Supervisors from Central and Eastern Europe (BSCEE);
- The International Organization of Securities Commissions (IOSCO).

