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On 15 December 2023, the Tallinn Administrative Court rejected the appeal of TAG Funds Management OÜ to have the decision of Finantsinspektsioon of May 2021 annulled and to be entered in the register of market participants as the manager of a small alternative fund. The court decided that Finantsinspektsioon had the right to reject the application for registration.

“The financial sector is no place for shell companies that have a business model of applying for the right to operate in Estonia but actually locating all their business activities and everyday management in a completely different country. In that case they should apply for the right to operate in the place where the company is actually doing business”, said member of the Finantsinspektsioon management board Siim Tammer. The court also agreed with the interpretation of Finantsinspektsioon that checking and enforcing the requirements for the location of activities is important for the financial sector, and that the business models of companies set up in an illusory form do not comply with that requirement. “This is a very important decision as such illusory companies bring risks to the Estonian financial sector as they actually operate in other countries and it is very difficult or basically impossible to carry out meaningful supervision of them. That is why we will continue to take the checking of these requirements seriously in future too”, Tammer added.

The managers of small alternative funds are only small in name, as their assets can as a rule total up to 100 million euros if they use leverage, or 500 million euros if they do not. Finantsinspektsioon identified that the place of operation of TAG Funds Management OÜ was not Estonia, and so it rejected the application for registration. TAG Funds Management OÜ can appeal the decision at the Tallinn Circuit Court.

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