



# FINANTSINSPEKTSION YEARBOOK 2021

**Finantsinspeksioon**

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*The work of Finantsinspektsioon was managed in 2021 by a four-member management board. From below: management board members Siim Tammer and Andre Nõmm, chair of the board Kilvar Kessler and board member Andres Kurgpõld.*



## FOREWORD BY THE MANAGEMENT BOARD

At the time that the foreword to the Finantsinspektsioon 2021 annual report is being written, a war is raging in Ukraine of a sort that has not been seen in Europe since the Second World War. The armed conflict is having a global economic impact and so also impacts financial intermediaries. In this foreword we will consider the readiness of the Estonian financial market to withstand the consequences of the war, discuss the main trends in the Estonian financial market in 2021, and summarise our updated strategy.

### **The war in Ukraine put the Estonian financial sector in the frontline for applying financial sanctions**

Countries and international organisations have reacted to the war in Ukraine by applying numerous wide-ranging international sanctions. The weight of applying the financial sanctions is currently primarily falling on financial sector. Since 2021 the law has required Finantsinspektsioon to assess the capacity of the subjects of financial supervision to apply international financial sanctions. Previously only the Financial Intelligence Unit had this responsibility, but it is now shared with Finantsinspektsioon so that the FIU handles the application of specific, individual sanctions, while financial supervision looks at the business model of the subject of supervision and at the risk environment given the mechanisms for applying the sanctions. The earlier demand by Finantsinspektsioon for risk controls to be strengthened has helped financial intermediaries very much in applying international sanctions.

The military conflict in Ukraine has sharply raised the question of possible cyber attacks, especially given how digital our society is. Finantsinspektsioon considers that the larger financial intermediaries are well prepared and have the capacity to cope with cyber risks. The capacity of those financial intermediaries depends a lot though on the digital capabilities of their partners, and on the nature and scope of any cyber attack. Financial supervision of cyber resilience remains demanding of subjects of supervision and Finantsinspektsioon is taking the lead in this in the euro area banking supervision system.

Finantsinspektsioon considers that the direct impact of the war on the financial position of the subjects of financial supervision is currently small. The indirect impact of changes in the economic environment is large though. The banks and other major financial intermediaries have sufficient buffers to alleviate the impact, and are ready to adapt to risk-taking and risk management. Finantsinspektsioon is continuously assessing the situation together with Eesti Pank and the European Central Bank, and if needed is ready to apply appropriate supervisory measures to manage financial risks.

**The capital buffers required from the banks, the close attention paid to cyber resilience, the expulsion of dishonest participants, and the professional demands of entrants into the financial sector have together ensured the stability, reliability and transparency of the Estonian financial sector**

The main features of the Estonian financial market last year were the rapid growth in the credit market, the introduction of the pension reform, and the major interest in activity licences. The credit portfolio grew fast, and especially so at smaller credit institutions. For financial supervision, such a trend means growth in risks, as the control systems of the banks are not necessarily ready to assess new loans thoroughly enough, or new loans may consciously be taken with increased risk. In both cases, Finantsinspeksiioon requires the banks to hold larger capital buffers. These buffers can be used to cover possible loan losses without the funds of depositors or the financial system coming under threat. Finantsinspeksiioon worked with the European Central Bank in 2021 to demand buffers totalling 609 million euros from the banking sector. On top of this were the buffers of 745 million euros required by law and the central bank. Such preventive work has a major impact on risk management.

The pension reform, having been passed as constitutional by the Supreme Court, was introduced last year. Following from this, Finantsinspeksiioon produced a special supervisory programme. The programme was used to test the capacity of funds to pay out money to all those wanting to exit the second pension pillar. We also monitored the digital capacity of the pensions register to make the payouts, and we kept an eye on the activities of life insurers. Finantsinspeksiioon was on high alert to intervene if necessary to avoid any obstacles. The subjects of financial supervision fulfilled all their obligations without any serious problems and no major essential or technical issues emerged during the exits from the second pension pillar.

Attempts were also made to take criminal advantage of the pension reform, with people being told for example that they could withdraw their money from the funds faster than the law allowed. Being smart in business is a good thing, but in this case it was a criminal act, as those responsible did not have the activity licence required for participating in the financial market. Finantsinspeksiioon worked with law enforcement agencies to put a swift halt to these fishing trips and organised the return of the funds to the clients.

Unfortunately there was an increase in 2021 in attempts by scammers to deceive people using communications from abroad. There are legal limits on what Finantsinspeksiioon can do to bring foreign scammers to the Estonian court, and so we focused our efforts on warning the public. The courts stopped us from issuing alerts, but guidance from the Supreme Court and rapid action by the parliament meant that Finantsinspeksiioon could continue issuing alerts on a stronger legal basis under separate legislation. We published 1149 such alerts on our website during the reporting year.

Interest remained strong in operating in the Estonian market and through it in the European Union. Business activities in the financial market

mostly need an operating licence from Finantsinspektsioon. The process of applying for a financial sector activity licence is not the same as renewing a driving licence or generating a proof of vaccination. It requires a public dialogue with the applicant about its owner, managers, business model, processes and systems, and a thorough assessment of its capital structure, which generally all takes quite a long time. The Estonian market welcomes innovative, promising, sustainable and transparent businesses as they contribute to the stability and credibility of our financial sector. Finantsinspektsioon processed 31 applications in 2021 and issued nine activity licences, while our financial innovation hub processed 153 initial contacts.

### **The central point in Finantsinspektsioon's new strategy is digital competence and solutions, and greater protection for people in resolving disputes**

Finantsinspektsioon must by law have a strategy that is approved by the supervisory board as the highest body of the institution. The strategy allows the limited resources to be focused on the largest risks and most important areas.

The strategy for 2019–2021 placed preventing money laundering and terrorist financing, and cyber security at the centre of Finantsinspektsioon's activities. Great attention was paid to strengthening the crisis management framework, making the internal control systems of market participants more effective, and ensuring there were sufficient buffers to reduce risks. The majority of the 25 targets set in the strategy were met, while some of the targets were rendered contingent by the pension reform, and one target was not achieved because the state has still not updated the framework of fines for subjects of financial supervision. Its importance and current relevance meant that cyber security was carried over into the next strategy.

The targets in the Finantsinspektsioon strategy for 2022-2025 highlight greater automation and creativity in financial supervision, focusing on the use of digital solutions by subjects of financial supervision and on cyber resilience and management culture, and also on their readiness to allow tests of innovative business models that will develop local skills and knowledge. In-depth work on the monitoring model for international sanctions continues. The strategy highlighted the need for a financial ombudsman to be set up at Finantsinspektsioon so that consumers and small businesses could better resolve differences of opinion with professional financial intermediaries. The new strategy set a total of 17 specific expected outcomes.

The Estonian economy and financial sector are facing a difficult period of adaptation, as the war in Ukraine will substantially affect the economic chains that were in place before it started. We will give the best of ourselves in 2022 in applying more than 600 legislative acts to almost 300 subjects of financial supervision with certainty and professionalism. We thank all the staff of Finantsinspektsioon and all our other colleagues, subjects of financial supervision and other partners who have helped to keep the financial markets in Estonia operating stably and honestly!

- **AROUND 300 BUSINESSES UNDER THE SUPERVISION OF FINANTSINSPEKTSIOON**
- **OVER 600 LEGISLATIVE ACTS**
- **122 STAFF**
- **4 MEMBERS OF THE MANAGEMENT BOARD**
- **399 MANAGEMENT DECISIONS**





## ABOUT FINANTSINSPEKTSIOON

Finantsinspeksioon is an independent financial supervision and resolution authority. Finantsinspeksioon carries out state supervision over licensed banks, insurance companies, insurance intermediaries, investment firms, fund managers, investment and pension funds, payment institutions, e-money institutions, creditors and credit intermediaries, and the securities market.

Finantsinspeksioon acts on behalf of the Estonian state and works to ensure that the regulated financial market is stable, trustworthy and transparent. Finantsinspeksioon reduces the systemic risks in the financial sector and contributes within the limits of its responsibility to preventing criminal activity. Finantsinspeksioon also prioritises the sustainability of the critical functions of the banks during crises and sufficient protection for the funds of depositors, investors and other clients.

In financial supervision and in resolving financial crises, Finantsinspeksioon works for the benefit of the public interest. Its work is funded not from the state budget but by the supervision and procedural fees that are paid by the market participants. Finantsinspeksioon also carries out a large part of the duties of the Guarantee Fund under a cooperation agreement and by law.

## STRATEGY FOR 2022-2025

On 26 November 2021 the Supervisory Board approved the new Finantsinspeksioon strategy for the years 2022-2025. The full text of the new strategy can be found on the Finantsinspeksioon website.

- **Vision**
- A digitally skilled and efficient Finantsinspeksioon.
- **Mission**
- We maintain confidence in the financial market.
- **Values**
- Certain. Professional. Creative.

Main action points for Finantsinspeksioon for 2022-2025

### I. A creative, environmentally sustainable and digitally skilled Finantsinspeksioon is an efficient financial supervision and resolution authority

#### **Expected outcome 1.**

To make financial supervision and resolution more efficient we plan and apply the digital solutions needed. The working processes of Finantsinspeksioon are more automated than before and digital solutions are used more than by other financial supervision authorities in the region.

#### **Expected outcome 2.**

To attract people who are talented, hard-working and representative of the Finantsinspeksioon values, and to maintain the organisation we define the tasks of each job and update our pay and motivation system.

**Expected outcome 3.**

We apply environmentally sustainable principles in our administration and other activities. We work in a green office.

**Expected outcome 4.**

We encourage our staff to make proposals for raising efficiency at work and improving cooperation. We recognise creative and professional staff.

## II. Finantsinspektsioon maintains stability in the financial markets so that more value added can be created in the economy

**Expected outcome 1.**

We identify the vulnerabilities in the cyber resilience of the IT systems of market participants, and direct subjects of financial supervision to repair those weaknesses. We focus more on control of the business continuity of vital systems and the transfer of critical functions. Vital systems operate without serious interruption.

**Expected outcome 2.**

We focus on the risk control systems, processes and working culture of the subjects of financial supervision. It is verified that the subjects of financial supervision and auditors of listed companies have met all their obligations to Finantsinspektsioon, and that if necessary they have been directed to eliminate shortcomings with individual precepts or advisory guidelines. The working culture of the managers of the subjects of financial supervision takes a balanced approach to risk appetite and risk management.

**Expected outcome 3.**

We prepare and apply adequate screening for licensing in new areas such as crowdfunding or virtual currency services. Depending on the business model of the applicant, we want important areas to be sufficiently staffed in Estonia and we avoid issuing licences to businesses that are only a PO Box number. The people who have the right to operate in the financial market are competent and law-abiding, and run sustainable businesses.

**Expected outcome 4.**

We are even more active and influential in setting up the Single Supervisory Mechanism (SSM), the Single Resolution Mechanism (SRM), and the anti-money laundering and terrorist financing authority of the European Union (AMLA). The good skills of the Estonian IT risk controller have been recognised and are used in the SSM and the SRM. The systemic risks to the Estonian banking market are known to the SSM and the SRM and they are not ignored in a crisis but are taken into account.

**Expected outcome 5.**

We develop further the models for countering money laundering and terrorist financing and supervising international financial sanctions. The processes and systems of subjects of financial supervision are sufficient to apply international financial sanctions.

**Expected outcome 6.**

We look at environmental, social and governance (ESG) when performing our statutory duties and we apply the legal standards for them in the financial sector. Subjects of financial supervision and listed companies follow the principles set out in ESG legislation.

### III. Finantsinspektsioon protects the interests of clients and investors to strengthen overall confidence in the financial market

#### **Expected outcome 1.**

We will create the office of ombudsman if it is legally required that the financial ombudsman be established at Finantsinspektsioon. We will explain to stakeholders why it is in the interests of clients, investors, subjects of financial supervision and society that the financial ombudsman work at Finantsinspektsioon. The financial ombudsman will resolve and settle disputes.

#### **Expected outcome 2.**

We will continue to educate consumers about financial services and products through the [www.minuraha.ee](http://www.minuraha.ee) website and we will introduce additional channels for the systematic dissemination of information and knowledge from Finantsinspektsioon. Consumer education will focus on students, pensioners and debt counsellors, as they are more receptive or vulnerable groups, or work with such groups. Timely and relevant objective information on the risks of financial products and services is readily available to focus groups.

#### **Expected outcome 3.**

By exchanging factual information and skills we will deepen our cooperation with the Financial Intelligence Unit, the Prosecutor's Office and investigative and security agencies, while respecting legal boundaries and the principle of reciprocity. Potential offenders are deterred and offenders are punished more effectively.

### IV. Finantsinspektsioon encourages technological innovation to help the market function more efficiently

#### **Expected outcome 1.**

To promote the development of technologically innovative business models and use of local knowledge and skills, we will introduce on application an operating authorisation with ancillary conditions if this is permitted by the law and the risks are suitably managed. Technologically innovative business models can be tested and developed in a controlled manner.

#### **Expected outcome 2.**

We apply a fast-track licensing procedure for entities that have previously held an operating licence, and also in some other individual cases, if the associated risks are low enough. Licensing procedures are quicker and cheaper.

#### **Expected outcome 3.**

We maintain contact with financial businesses with new business models, especially technologically innovative businesses. Those considering becoming subjects of financial supervision have sufficient information that they can decide on the next steps.

#### **Expected outcome 4.**

We direct the subjects of financial supervision to use more digital solutions. Following the principle of proportionality, subjects of supervision have efficient risk-based digital solutions for controlling risks.

## **THE WORK OF THE SUPERVISORY BOARD**

The Supervisory Board plans the activities of Finantsinspektsoon and monitors its management. The Supervisory Board has six members, among whom the Minister of Finance and the Governor of Eesti Pank are members by virtue of office and four are appointed.

### **Members of the Supervisory Board of Finantsinspektsoon in 2021 were:**

Keit Pentus-Rosimannus, Minister of Finance

Madis Müller, Governor of Eesti Pank

Veiko Tali, appointed by the Supervisory Board of Eesti Pank

Rein Minka, appointed by the Supervisory Board of Eesti Pank

Mai Palmipuu, appointed by the government of the Republic of Estonia

Veiko-Joel Kokk, appointed by the government of the Republic of Estonia

The Supervisory Board held five meetings in 2021 at which the following decisions were taken:

- the Finantsinspektsoon strategy 2022-2025 was approved;
- the chair of the management board was chosen for the next four years;
- the Finantsinspektsoon yearbook 2020 was approved and it was decided that 714,057.48 euros from the surplus of 1,147,404.75 euros in the Finantsinspektsoon budget for 2020 would go to Finantsinspektsoon reserves, and 433,347.27 would be returned equally and proportionally to the subjects of financial supervision.
- the Finantsinspektsoon budget of 10,287,000 euros for 2022 was approved and it was proposed that the Ministry of Finance approve the supervision fee rates for 2022.

The management board of Finantsinspektsoon gave the Supervisory Board regular reviews of its activity, its execution of the budget, and the state of the financial sector.

## **THE WORK OF THE MANAGEMENT BOARD**

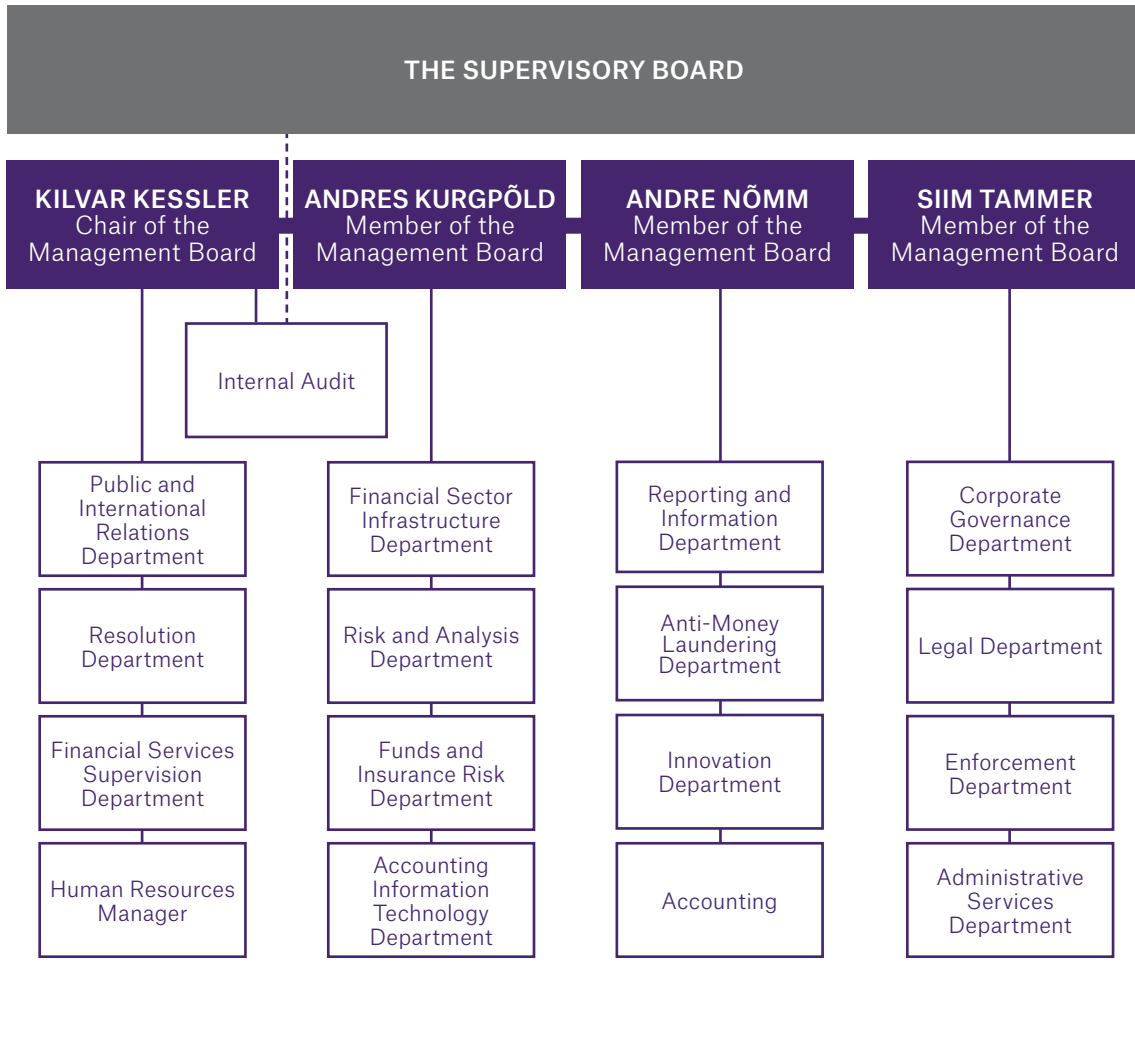
The work of Finantsinspektsoon was managed in 2021 by a four-member management board. The Finantsinspektsoon Management Board comprised Chair Kilvar Kessler and members Andres Kurgpõld, Andre Nõmm, and Siim Tammer.

The Management Board held 53 meetings in 2021 at which 225 management decisions and 174 administrative rulings were made, of which 13 were written precepts. Five monetary fines were imposed on supervised entities for breach of the rules. The management board issued eight authorisations and one additional authorisation.

## **ORGANISATION AND STAFF**

The Finantsinspektsoon staff are a good balance of dedicated top-level experts with long experience and young specialists who have arrived in the past few years as the organisation has grown. There were 122 people working at Finantsinspektsoon at the end of 2021, of who 16 had suspended contracts. The average age of employees is 37.5 and they have worked on average for 7.1 years for Finantsinspektsoon. During the year, 27 new members of staff joined and 14 left.

## STRUCTURE OF THE ORGANISATION



There were 87 women and 35 men working at Finantsinspektsioon in 2021. The majority of the staff by qualifications are specialists in finance like analysts and financial auditors, followed by lawyers. Everybody employed by Finantsinspektsioon has a higher education degree.

Finantsinspektsioon offers internships to Estonian and foreign university students every year. One university student did an internship at Finantsinspektsioon in summer 2021 in the anti-money laundering department, and another worked in public and international relations.

## WHAT IS WORK LIKE AT FINANTSINSPEKTSIOON?

In the words of the longest serving staff of Finantsinspektsioon.



Head of the Corporate Governance Department Maris Mägi (24 years at Finantsinspektsioon): *"My work at Finantsinspektsioon is interesting and varied and I am lucky to work with some of the top specialists in their fields".*



Financial analyst in the Risk and Analysis Department Ilja Hlebov (21 years at Finantsinspektsioon): *"It is good to feel that you are always at the cutting edge of changes and on top of the latest trends. I feel that we are working together on something exciting, with the atmosphere of a start-up and a family feeling".*



Accountant Katrin Plaser (29 years at Finantsinspektsioon): *"There is no other institution like Finantsinspektsioon in Estonia. It is very good to work together with colleagues who are experts in their field. Seeing the dedication that colleagues show to their work makes you want to work harder yourself".*



Assistant to the chair of the management board Terje Kahro (24 years at Finantsinspektsioon): *"I am proud of our professional attitude and high standards. These are always very important, even at hectic times, and the best way to act".*



Assistant Pille-Kristin Täht (28 years at Finantsinspektsioon): *"I like my colleagues at Finantsinspektsioon and being able to speak to my direct manager about any issues. I very much enjoy our summer social days and other events".*

Head of the Risk and Analysis Department Priit Kiilmaa (26 years at Finantsinspektsioon): *“My work at Finantsinspektsioon alongside the top experts in their field is very varied and interesting. Working in supervision during a crisis is especially exciting and motivating and offers an extraordinary range of challenges”.*



## INTERNATIONAL COOPERATION

Finantsinspektsioon contributes to designing the financial supervisory policy of the European Union through three European supervisory authorities. These are the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities Market Authority (ESMA). The European Systemic Risk Board (ESRB) is also part of the European system of financial supervisors, and handles macro supervision, and Finantsinspektsioon works there also.

As Estonia is a member of the euro area, the everyday work of Finantsinspektsioon is affected by the single supervisory mechanism (SSM). This is a banking supervision system for the euro area that takes in the European Central Bank and the supervisory authorities of the euro area countries. The European Central Bank conducts direct capital supervision through the SSM over important credit institutions in the euro area. The banks in Estonia that met the criteria for direct supervision in 2021 were AS SEB Pank, Swedbank AS and Luminor Bank AS.

Finantsinspektsioon is also involved in crisis resolution, and works in the Single Resolution Board (SRB), which is the central resolution authority in the euro area. The Single Resolution Mechanism consists of the Single Resolution Board together with the resolution authorities of the euro area countries.

Finantsinspektsioon participates in supervisory colleges for capital supervision, anti-money laundering, and resolution to make supervision over cross-border financial intermediaries and over resolution of them as efficient as possible, and to make cooperation between the institutions responsible in different countries as effective as possible.

Finantsinspektsioon is also a member of the International Association of Insurance Supervisors (IAIS), and the International Organization of Securities Commissions (IOSCO). It also promotes cooperation between Nordic and Baltic countries in the Nordic-Baltic Macroprudential Forum (NBMF) and the Nordic-Baltic Stability Group (NBSG). It is also a member of the Group of Banking Supervisors from Central and Eastern Europe (BSCEE).

- **29 ADVISORY GUIDELINES**
- **13 PRECEPTS**
- **5 MONETARY FINES**
- **1149 INVESTOR ALERTS**





## **THE WORK OF FINANTSINSPEKTSIOON DURING THE EXIT FROM THE COVID-19 PANDEMIC**

Finantsinspeksioon had an important role to play in softening the impact of the pandemic by keeping the financial market stable and credible during the uncertain times. Many of the memorandums and guidelines that were introduced in 2020 to ease the crisis continue to apply in 2021. The memorandum instructing credit institutions, creditors and credit intermediaries to lend responsibly during the pandemic remained in force for example. The guideline granting the banks leeway so they could cope with the impact of the spread of Covid-19 equally remained in force. The main work of Finantsinspeksioon in relation to Covid-19 in 2021 was monitoring the market and compliance with the memorandums and guidelines issued in the previous year.

### **FINANTSINSPEKTSIOON OBSERVED COMPLIANCE WITH THE MEMORANDUM ON THE RESTRUCTURING OF LOANS**

In October 2020, Finantsinspeksioon issued a memo to credit institutions, branches of foreign credit institutions, creditors, and credit intermediaries pointing out the restructuring measures that should be used for borrowers who have encountered payment difficulties under the circumstances of the pandemic. The pandemic cannot yet be said to have ended, and so it continues to have some impact on borrowers. For this reason, Finantsinspeksioon monitored in September 2021 how the market participants were complying with the memo. It is the task of Finantsinspeksioon to assess the risk management practices, policies, processes and procedures applied by credit institutions in handling overdue loans and those restructured because of payment difficulties. It was apparent that the memo was being complied with and that creditors had established the internal procedures necessary for adapting their restructuring measures.

### **FINANTSINSPEKTSIOON ASSESSED THE LOAN QUALITY OF THE BANKS**

In early 2021, Finantsinspeksioon assessed the change in the loan quality of the loan portfolio of the banks in the period from the start of January 2020 to the end of September. This was done to assess how the pandemic might have affected the quality of the loan portfolio. It was apparent that the share of loans that were performing but had an increased credit risk had grown during that time, especially the corporate loans. The level of non-performing loans at the banks remained relatively stable, but the share of non-performing loans in all loans exceeded 5% at some banks. The banks had however increased their write-downs to cover possible credit losses. The findings of the analysis were used to assess whether the banks had classified loans in accordance with the requirements during the pandemic. Finantsinspeksioon drew the attention of the banks to shortcomings that were found in the classification of loans and in the restructuring processes.

## **FINANTSINSPEKTSIOON CONTINUED TO ASSESS THE IMPACT OF THE CRISIS ON CREDIT INSTITUTIONS**

Finantsinspektsioon continued assessing the impact of the pandemic on the financial indicators, operational capacity, and capitalisation of credit institutions in 2021, and analysed the need to apply supervisory measures to reduce the impact of risks being realised. The impact of the crisis on the quality of the loan portfolio of the banks, their liquidity, the possible realisation of operational risks, and their profitability and capitalisation was assessed once a month. The data received from the banks confirmed that the pandemic had had a smaller impact than had been feared on the financial position of the credit institutions.

## **FINANTSINSPEKTSIOON LIMITED THE PROFIT DISTRIBUTION OF NON-LIFE INSURERS**

The high level of uncertainty in the financial sector that the pandemic caused led Finantsinspektsioon to apply advisory restrictions on the distribution of profit by non-life insurers until the end of September 2021. Profit distribution needed to be restricted so that the buffers of insurers were not reduced to a critical level by the fall in business volumes during the pandemic and the lack of certainty about the future. Non-life insurance companies paying out dividends could not allow the coverage of their Solvency Capital Requirement (SCR) by own funds to fall below 170% of own funds.

## **FINANTSINSPEKTSIOON ASSESSED HOW THE PANDEMIC IMPACTED INSURERS**

The European Insurance and Occupational Pensions Authority carried out broad-based stress tests in 2021 to assess the long-term impact of the pandemic and of low interest rates on insurers and their liquidity. The stress tests were carried out because the macroeconomic risks had increased substantially. Interest rates had already been low for years, and the pandemic created a lot of uncertainty and the danger of a possible recession. The stress tests were aimed at insurance groups, and so no Estonian insurer took part in the exercise independently. The stress tests were run at several insurance groups that Estonian insurers are part of though.



- **363 FIT AND PROPER PERSON ASSESSMENTS CARRIED OUT**
- **26 APPLICATIONS FOR OPERATING AUTHORISATIONS**
- **5 APPLICATIONS TO ESTABLISH A BRANCH**
- **8 NEW AUTHORISATIONS ISSUED**
- **1 ADDITIONAL AUTHORISATION ISSUED**
- **2 AUTHORISATIONS WITHDRAWN**



## **THE RIGHT TO OPERATE IN THE FINANCIAL SECTOR**

There was activity in 2021 in applications for operating authorisations and in assessment of managers in the financial sector. Companies in the regulated financial sector must comply with clear and quite strict requirements. Managers in the financial sector are expected to have a spotless background, relevant qualifications, and very good professional skills. Strict requirements are set by law for those who want to take a managing position in a company that comes under financial supervision, or who want to acquire or increase a qualifying holding in such a business.

### **OPERATING AUTHORISATIONS WERE REQUESTED FROM FINANTSINSPEKTSIOON BY 26 COMPANIES**

There were 26 applications for operating authorisations submitted to Finantsinspektsioon during the year, and five applications to establish a branch, either to operate in Estonia or to operate in another European Union member state as a branch of an Estonian subject of financial supervision. The most common application was for authorisation as an investment firm, of which there were eight. There were seven applications for creditors, five for payment institutions, four for fund managers, and one for a credit intermediary. There was also one application for an additional operating authorisation submitted by a credit institution.

Finantsinspektsioon issued a total of nine authorisations during the year. An authorisation was also granted to a Swedish credit institution to establish a branch in Estonia, and an Estonian payment institution was authorised to establish a branch in Latvia. In three cases the applicants themselves decided to withdraw from the application procedure, and there were eight applications that Finantsinspektsioon did not look at. The reason for not looking at an application was usually that insufficient documents and evidence were submitted during the proceedings, which suggested to Finantsinspektsioon that the applicant was not suitable to operate in the regulated financial market.

The operating authorisations issued in 2021 were mainly related to open banking and covered providers of payment initiation and account information services. The largest part of the operating authorisations by Finantsinspektsioon issued were the four that went to payment institutions. One authorisation was issued to an e-money institution.

### **FINANTSINSPEKTSIOON ASSESSED WHETHER 363 PEOPLE WERE FIT AND PROPER TO OPERATE IN THE FINANCIAL SECTOR**

Finantsinspektsioon assessed in 2021 whether a total of 363 people were fit and proper to operate in the financial sector or to own a qualifying holding in companies in the sector. Of them, 294 people were given the green light to go ahead with operating in the sector or owning a qualifying holding in it. Finantsinspektsioon decided during the year to reject three people as managers. The fit and proper assessments for 66 people were not completed, and the final decision on their suitability was not given. The personal assessment is usually left uncompleted if sufficient doubts about the suitability of the person arise during the proceedings. As a rule people in such circumstances choose for themselves not to be appointed to a senior management position or to acquire a qualifying holding before Finantsinspektsioon has made its decision.

A change in 2021 increased the group of people whose suitability at credit institutions and investment firms needed to be assessed, as the regulation of key personnel under the Credit Institutions Act and the Securities Markets Act came into force on 12 June. Key personnel are those who have a significant impact on the general management of the activities of a business but are not part of the management bodies of the firm nor are its CEO. Key personnel at credit institutions or investment firms are for example the chief financial officer and the head of conformity check, risk management or the internal audit unit, who is not the head of the credit institution or investment firm. The change that was introduced meant that credit institutions have to inform Finantsinspektsioon of their key personnel, and Finantsinspektsioon has to assess the suitability of those people.

## ON-SITE AND REMOTE INSPECTIONS



On-site and remote inspections help Finantsinspektsioon to assess whether the subjects of financial supervision are complying with their legal requirements. Many very different areas are inspected, including internal control systems, general management, risk management and much more.

The largest number of on-site inspections that Finantsinspektsioon carried out in 2021 were the 16 into money laundering and terrorist financing and financial sanctions. Nine of the inspections assessed the performance of banks and investment firms in applying international financial sanctions, and the performance of one bank in applying due diligence measures during a business relationship. Compliance with the requirements for the storage and availability of data collected during the application of due diligence was inspected at six creditors and credit intermediaries. Accurate and correctly stored and accessible data are the foundation for the successful functioning of the anti-money laundering and terrorist financing system. Shortcomings in the data collected during due diligence and in the storage of data prevent the identification of unusual activity by a client that might deserve more attention in the context of preventing money laundering and terrorist financing.

Finantsinspektsioon found several shortcomings during its anti-money laundering and terrorist financing and financial sanctions inspections, and it directed companies to improve their capacity to apply international financial sanctions and their anti-money laundering systems. In parallel with the on-site inspections, Finantsinspektsioon used remote inspections to assess the risks to companies operating in the financial sector from money laundering, terrorist financing and international financial sanctions.

Virtual currency service providers did not come under supervision from Finantsinspektsioon. As their activity is associated with higher risks of money-laundering however, Finantsinspektsioon made 28 extraordinary remote inspections in 2021 at banks, payment institutions and e-money institutions to ascertain the potential dangers in this area and the connections between companies under financial supervision and the virtual currency service sector, particularly through providers of payment services using virtual currencies. It found that the banks and payment institutions are generally quite cautious in providing payment services to providers of virtual currency services, and they serve few of them, though different levels of risk appetite are apparent.

Six on-site inspections were carried out at banks operating in Estonia in 2021, which assessed the efficiency of operation of 17 different risk areas and functions. The organisation and operation of internal control systems, general management, risk management and control, and compliance controls were inspected. Risk areas that were assessed were the management and organisation of controls for credit risk, operational risk and IT risks. Reporting and the suitability of managers and key personnel were also assessed. The shortcomings identified during the inspections were primarily related to insufficient or inaccurate internal rules, and to the function of internal control systems.

Finantsinspeksioon inspected remotely the compliance with the requirements for providing financial products and services in 2021. The inspections covered whether companies operating in the financial sector gave their clients the information required when signing contracts with them and during the execution of those contracts, and whether they followed the principles of responsible lending and did not exceed the cost of credit rate when issuing credit. The fees and costs for services were established clearly, as were the customer complaints received by creditors and insurers. Shortcomings identified were communicated directly to the market participants so that they could bring their activities in line with the law.

Finantsinspeksioon carried out two on-site inspections at fund managers in 2021. The inspections focused on how the value of assets in pension funds was calculated and on how the net value of assets was defined. Whether the activities of the fund manager complied with the requirements and internal rules set by law or other legislation was assessed. The on-site inspections found serious shortcomings that the fund managers started to correct immediately.



## CROWDFUNDING

Crowdfunding service providers did not previously come under supervision from Finantsinspeksioon, but the European Parliament and the Council adopted a regulation on crowdfunding in October 2020 that made Finantsinspeksioon the authority responsible for supervising crowdfunding service providers. From 10 November 2022, all crowdfunding service providers will need to have an authorisation if they allow private individuals and businesses to invest in the business activities of companies. A transition will apply until then. Finantsinspeksioon will keep monitoring whether the activities of crowdfunding service providers comply with the legislation after the authorisations has been issued.

Finantsinspeksioon started to make preparations in early 2021 for the application procedures for authorisations for crowdfunding service providers and for becoming the supervisor of crowdfunding. The possible crowdfunding service providers were identified and Finantsinspeksioon drew up an advisory guideline describing its expectations of those service providers. It prepared to provide efficient supervision and smooth processing of applications for authorisations by dividing the responsibilities between departments and setting up the processes for the application procedures. A public information day was also held to present the work of Finantsinspeksioon and cover various topics surrounding crowdfunding.

Crowdfunding service providers can operate until 10 November 2022 without an authorisation. A transition period to authorisations was allowed so that crowdfunding service providers could move transparently and equally under the supervision of Finantsinspeksioon. When issuing authorisations, Finantsinspeksioon checks thoroughly the background, activities and management of the applicant. As crowdfunding services are largely provided online, Finantsinspeksioon will also assess the level of the technical administration of the activities of the applicant and their continuity and resilience.

Regulations must be complied with not only during the application for an authorisation. It is important that crowdfunding service providers continue to meet the requirements of the regulation once they have received their authorisation. Finantsinspeksioon will ensure this by monitoring through regular supervisory work the information given by crowdfunding service providers to their clients, management of conflicts of interests, the operation of IT systems, the complaints procedures, the sufficiency of own funds, and much more besides. It will also require regular reporting and carry out other supervisory duties.



## PENSION REFORM

### Interview with the head of the Finantsinspektsioon Funds and Insurance Risk Department, Maksim Golovatjuk

The first stage of the pension reform was launched in 2021 and it made the second pension pillar voluntary, so people could decide whether they wanted to continue saving for their pension, withdraw their money from the pension system, or invest through a personal pension investment account. Finantsinspektsioon kept a close eye on the smooth operation of the processes.

#### **What was Finantsinspektsioon's role in the pension reform?**

Finantsinspektsioon supervised the operation of the pension reform, focusing on the liquidity risk of pension funds, monitoring the infrastructure, managing the operational and IT risks, overseeing the risks to insurers, and keeping an eye on the client relation risks and legal risks.

#### **How able did Finantsinspektsioon think the pension funds were to make payouts to all those leaving the funds?**

Finantsinspektsioon organised three stress test with different scenarios in 2020-2021 to ensure that the pension funds had the capacity to pay out all of the amounts owed to those leaving the funds and that the liquidity risks of the portfolios of the pension funds were managed, and it analysed the exits and required extraordinary reporting from the pension register and life insurers. The scenarios in the stress tests for the pension funds had different amounts and deadlines for the exits. The tests showed that there was sufficient liquidity in the pension funds for them to make much larger payouts than they actually had to.

#### **What or who else did Finantsinspektsioon monitor in relation to the pension reform?**

The pension register played a central role in the success of the payouts and other transactions, and Finantsinspektsioon monitored it regularly. The focus was on the IT capacity of the pension register, and making sure that any developments needed were made in time and that operational risks were managed. As the pension reform affected shareholders and pension funds and the clients of insurers, Finantsinspektsioon focused on legal protection for those individuals and on the timely and accurate provision of information. As well as the pension register, account holders and depository banks were in constant communication with Finantsinspektsioon to make sure that people were able to submit their applications under the pension reform and that money was withdrawn smoothly. The withdrawal of 1.3 billion euros by around 150,000 clients in September was achieved smoothly and without any major incident.

#### **How did the pension reform affect the pension fund sector?**

The assets of mandatory pension funds shrank by around a quarter in September. As it will be possible in future to make further withdrawals from the mandatory pension funds, the fund managers needs to account for that when making transactions with long investment horizons and were managing their liquidity risk. The pension reform also led to changes in the third pillar, as the number of investors in voluntary pension funds rose by 16,833 over the year, and their assets increased by 53.3%.



# SUPERVISION OF ICT SYSTEMS

## Interview with the head of the Financial Sector Infrastructure Department Kalle Klooster

Businesses operating in the financial sector hold people's possessions in their hands and offer them vital services. It is important for those possessions to be protected and for those services to function and to be kept safe against the threats lurking in cyberspace. Finantsinspeksioon monitors how businesses manage cyber risks and whether they have taken all the necessary IT measures.



### **How well are the ICT risks in the Estonian financial sector managed?**

The general level of ICT in the Estonian financial sector can be considered good, as inspections of businesses operating in the sector show they have taken this seriously, they are aware of the risk landscape, and they invest in ICT systems, train their staff, and actively search for and overcome security threats within their own systems.

### **What does Finantsinspeksioon do to make sure that the ICT systems of companies and financial sector are secure?**

Finantsinspeksioon keeps abreast of risks in cyberspace and changes in them. If the risk environment changes, Finantsinspeksioon informs companies in the financial sector about it and monitors their readiness to handle those risks. Finantsinspeksioon also analyses incidents in the sector and directs companies on the need to improve their systems. It monitors how companies in the financial sector manage IT risks by visiting the companies and carrying out on-site inspections.

### **How many cyber attacks were there against companies in the financial sector in 2020?**

Most of the incidents in 2021 were caused not by cyber attacks but by faults in the software and hardware systems. It is hard to give a precise number for cyber attacks, as an attack that is effectively repelled by accompanying the financial sector does not cause an incident or any disruption to services. Most of the attacks have been distributed denial of service (DDoS) attacks, which the companies in the financial sector and their IT and communications partners are already well able to defend against.

### **How aware is the consumer of the development of ICT systems and financial sector?**

ICT development in banking reaches the customer through open banking for example. Applying new technical requirements allows credit institutions to provide more of the services needed for online shopping and to create better payment options for end consumers, so requesting account information and initiating payments can be done through payment initiation and account information service providers that have entered the market.

### **What is the role of Finantsinspeksioon in open banking?**

Finantsinspeksioon assessed in 2021 whether the technical requirements in the payment services directive (PSD2) of the European union were met, as these ensure that the principles of open banking are served in the banking sector. Most of the banks managed to cope with compliance with the requirements in time, though Finantsinspeksioon had to encourage a couple of companies by issuing precepts.



## THE FINANTSINSPEKTSIOON INNOVATION CENTRE

Interview with the head of the Finantsinspektsioon Innovation Department  
Mari-Liis Kukk

Finantsinspektsioon set up the innovation centre to encourage dialogue with innovative companies and to use that to find the best way of providing supervision over them.

### **How has innovation among Estonian financial companies changed in the past three years?**

Some years ago there were two types of innovation in the Estonian financial sector, with new business models and new technologies. These were often however quite separate. There were some companies that entered traditional markets with new business models, and others that developed revolutionary technologies but without a clear market goal. There is been a leap forward in recent years, and now there is more innovation of the type where both these developments have a role to play. We have reached a stage now where completely new business models have been built on highly innovative technologies, trying to be more ambitious than before about predicting the wants and needs of a future society, or pointing the way to a smarter society.

### **Are there obstacles to the development of innovation in Estonia? How can they be overcome?**

New institutional economics theory says that the key question in the spread of innovation is how legitimate society sees innovation as. Real legitimacy comes in large part though from how well the innovation fits within the legal and social norms of society. Estonian society is in this sense certainly very supportive of innovation, as new technologies are practically a part of the national identity. From the societal point of view, the company must itself show society that its solution is beneficial for everyone. In the legal context however, legitimacy does not necessarily mean that laws need to start being rewritten. The obstacle is actually often that society, the laws that represent it, and the companies providing the services are not entirely clear about whether and how the solution proposed fits within the laws that society has agreed on. The best solution to this concern is to discuss it honestly, openly and thoroughly.

### **What is the innovation centre and why was it set up?**

Finantsinspektsioon set up a specialised innovation centre to promote communication between itself and the innovative companies in the financial sector. Communication may seem to be a self-explanatory activity, but discussing innovative solutions is not always simple in sector like the financial sector that has deeply ingrained principles and strong regulation. It requires a very thorough discussion of how the planned innovation fits into the larger picture. The innovation centre is working to make sure that innovative companies in the financial sector have a supervisory support structure that takes their concerns into account, and allows the discussions that are needed for innovative solutions to be introduced to be held as effectively as possible.



- **15 CREDIT INSTITUTIONS**
- **2 LIFE INSURERS**
- **7 NON-LIFE INSURERS**
- **42 INSURANCE BROKERS**
- **6 BRANCHES OF FOREIGN INSURANCE BROKERS**
- **2 E-MONEY INSTITUTIONS**
- **15 PAYMENT INSTITUTIONS**
- **11 FUND MANAGERS**
- **5 SMALL FUND MANAGERS**
- **70 FUNDS**
- **7 INVESTMENT FIRMS**
- **42 LISTED COMPANIES**



## **BANKING AND CREDIT**

Credit institutions, credit intermediaries and creditors are supervised by Finantsinspektsioon under banking and credit supervision. The main activity of banks is taking in deposits from the public and issuing loans, while creditors only issue loans. Creditors and credit intermediaries are only supervised by Finantsinspektsioon if they lend to consumers.

There were 15 credit institutions operating in the Estonian banking sector at the end of 2021, of which six were branches of foreign banks. The assets of the banking sector stood at 47.9 billion euros at the end of 2021. The loan stock increased by 9.6% over the year to 31 billion euros.

### **MORE CAPITAL AND EQUITY WAS REQUIRED OF THE BANKS**

Finantsinspektsioon assesses the business models, management systems and risk profiles of each credit institution at least once a year, and also the sufficiency of their capitalisation and liquidity. Finantsinspektsioon can set additional capital requirements for an individual bank if the general capital requirements from the banking regulation are not sufficient to cover the risks from the particular activities of that bank. In 2021 Finantsinspektsioon, working together with the European Central Bank for the large banks, set an own funds requirement for the banks in Estonia that exceeded the minimum requirement in law by 397 million euros, and set an additional guideline for own funds of 212 million euros.

The goal of setting an own funds requirement that exceeded the minimum in law and for setting the additional own funds guideline was to ensure that there was enough capital to cover all the risks that credit institutions take in their activities, and to support stability in the financial system and sufficient capitalisation of credit institutions even if the economic environment were to take a turn for the worse.

### **FINANTSINSPEKTSIOON ASSESSED THE IMPORTANT BANKS TOGETHER WITH EUROPEAN CENTRAL BANK**

The European Central Bank is responsible for capital supervision over banks that are considered systemically important under Europe's Single Supervisory Mechanism (SSM), and it works together with the local financial supervisors of the countries in the euro area. The main role of the SSM is to ensure the security of the banking system and confidence in it, to increase financial integration and stability, and to ensure supervisory continuity. Banks in the SSM are supervised by Joint Supervisory Teams whose members come from the European Central Bank and from Finantsinspektsioon. The systemically important credit institutions in Estonia in 2021 were AS SEB Pank, Swedbank AS and Luminor Bank AS.

Finantsinspektsioon worked with the European Central Bank in 2021 to produce supervisory assessments of the systemically important credit institutions. In a departure from usual practice, the impact of the pandemic on the indicators for the banks was measured constantly because of the extraordinary circumstances. The pandemic did not have any significant negative impact on the financial indicators and capitalisation of the banks in 2021.

## **THE CREDIT INSTITUTIONS PASSED THE STRESS TESTS SUCCESSFULLY**

Finantsinspektsioon carried out credit risk stress tests for all the banks operating with an authorisation in Estonia in 2021 to assess the sufficiency of their capital if they were faced with negative economic developments. The credit institutions passed the stress tests successfully, as they are relatively well capitalised and like last year they would not breach the CET1 requirements in the negative scenario. The rapidly growing loan portfolio requires however that not only the impact of credit losses should be considered, but also the reduction in the capital ratio arising from credit growth. Finantsinspektsioon took account of the results of the stress test by issuing an equity guideline that set the level of own funds higher than the general capital requirements for all the less systemically important banks. The aim of the own funds guideline is to ensure that credit institutions can meet the capital requirements in the event of an economic crisis.

## **FINANTSINSPEKTSIOON ASSESSED THE IMPACT OF CLAIMS ARISING FROM CREDIT CONTRACTS BEING ASSIGNED**

Finantsinspektsioon analysed how the assignment by credit institutions of claims arising from credit contracts affected the quality of the credit portfolio of the credit institutions and their equity. The aim was to assess what the quality of the loan portfolio of the banks and the capitalisation would be if it was no longer possible to assign non-performing claims under the same conditions. Six credit institutions in Estonia regularly assigned non-performing consumer loan claims in 2021. The other banks did so from time to time and one credit institution operating in Estonia did not do so at all. In 2020, 42% of all the claims assigned were assigned under existing regular contracts, but in the first half of 2021 the share of assigned claims that came under regular contracts rose to 54% of all claims assigned. The pandemic meant that the price of the assigned claims fell and some existing regular assignment contracts were cancelled, but a recovery in prices was apparent in 2021. The share of non-performing loans at credit institutions would be a bit larger without the assignment, but as the volumes are not large against the whole of the loan portfolio, the impact on own funds would be small.

## **FINANTSINSPEKTSIOON ASSESSED THE RISKS COMING FROM LOAN GROWTH AT THE SMALLER BANKS**

Finantsinspektsioon analysed the capacity of small banks to assess and avoid the possible losses from rapid credit growth. Credit institutions have not changed their main conditions and limits for issuing loans, but a rise in the loan-to-collateral ratio towards its maximum permitted level was apparent in 2021. Rapid credit growth has led the banks to strengthen their risk management and internal controls by increasing the number of staff there.

## **FINANTSINSPEKTSIOON INSPECTED COMPLIANCE WITH THE REQUIREMENTS FOR RESPONSIBLE LENDING**

Finantsinspektsioon inspected compliance with the requirements for responsible lending in 2021 and whether the ceiling for the cost of credit was maintained. The market mapping that was started in 2020 was concluded, covering the collateral limits and loan repayment limits for loans issued by creditors, and the credit products offered by

creditors. Finantsinspektsioon used the results to produce and present the Ministry of Finance a proposal for setting minimum requirements for the ratio of the principal and interest payments of loans to the income of the consumer. It was proposed that a single maximum limit for credit payments should be applied to all the credit institutions, creditors and creditors operating under an exemption that were operating in Estonia, giving a maximum ratio for the principal and interest of credit to the income of the consumer, and a uniform basis for calculating the limit.

To promote responsible lending, the European Banking Authority issued the guidelines "Guidelines on loan origination and monitoring". The management board of Finantsinspektsioon had already issued those guidelines as an advisory guideline in 2020, but it extended the scope of the advisory guideline in 2021 to cover creditors and credit intermediaries. As this advisory guideline contained the guidelines for compliance with the requirements of responsible lending as well, the Finantsinspektsioon advisory guidelines setting requirements for responsible lending were repealed on 30 June 2021.

## **FINANTSINSPEKTSIOON MONITORS THE CONTROL SYSTEMS OF SUBJECTS OF SUPERVISION IN CONNECTION WITH FINANCIAL SANCTIONS**

From the start of 2021, Finantsinspektsioon took over from the Financial Intelligence Unit in monitoring whether companies subject to financial supervision have the systems and organisation in place that would allow them to apply international financial sanctions. The Financial Intelligence Unit is responsible for applying individual sanctions. Finantsinspektsioon issued an advisory guideline to help financial institutions build an organisation for applying financial sanctions that would suit their business model. Finantsinspektsioon carried out numerous on-site inspections and gave the market generalised feedback on good and bad practice in applying financial sanctions.

Finantsinspektsioon and the Financial Intelligence Unit signed an agreement in August 2021 detailing the cooperation between the two institutions on preventing money laundering and terrorism financing and the circumvention of international financial sanctions.

## **MONEY-LAUNDERING RISKS IN THE FINANCIAL SECTOR HAVE BEEN REDUCED**

Finantsinspektsioon carried out a sectoral risk analysis to assess the risks of money laundering and terrorist financing, and it found that the money-laundering risks in the financial sector were lower in early 2021 than at the start of 2014. One growing danger that the risk analysis found was the provision of payment services in the framework of correspondent relations to other financial institutions, including providers of virtual currency services.

## **INTERNATIONAL ORGANISATIONS ASSESSED THE ANTI-MONEY LAUNDERING SUPERVISION**

The European Commission, the International Monetary Fund, and the United Nations assessed the effectiveness of anti-money laundering and terrorist financing supervision in Estonia in 2021, and the MONEYVAL Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism operating at the European Council started its assessment.

## INSURANCE



Finantsinspektsioon carries out state supervision over insurance companies and insurance intermediaries or insurance distributors that operate under an authorisation granted by Finantsinspektsioon. Finantsinspektsioon monitors the compliance of insurers with capital and prudential requirements, the structure of their management and internal control systems, and the provision of insurance services. For insurance intermediaries it is only the compliance with the insurance marketing requirements that is monitored. The distribution of insurance covers preparing and managing insurance contracts or products, giving the client information before they sign the contract, signing the insurance contract, keeping the client informed throughout the duration of the contract, and handling and compensating claims.

There are two life insurers and seven non-life insurers that operate in the Estonian market with authorisation from Finantsinspektsioon. Insurance brokers and insurance agents also operated in Estonia as insurance intermediaries. An insurance broker represents the interests of the insurance client, while an insurance agent represents the interests of the insurance company and intermediates its services. At the end of 2021, there were 42 insurance brokers listed as insurance brokers on the Finantsinspektsioon list of insurance intermediaries. There were also branches of six foreign insurance brokers operating in Estonia at the end of 2020. Finantsinspektsioon entered two insurance brokers into the list of insurance intermediaries and deleted one insurance broker from it. Finantsinspektsioon also issued authorisation to provide cross-border services from Estonia to two insurance brokers and one insurance agent in 2021.

Finantsinspektsioon focused in supervising insurance services in 2021 on compliance with the requirements for product management. Inspections were carried out at insurance brokers and various insurers to assess whether there were rules in place for the supervision, management and marketing of insurance products and whether they were followed. The inspections were used to map the market and the necessary requirements were met.

Finantsinspektsioon carried out supervisory proceedings at insurers in 2021 under the Solvency II Directive and the guidelines based on it. A thorough overview and risk analysis of all the insurers operating in Estonia was drawn up. The business models, management systems, risks, financial positions and capitalisation of the insurers were analysed. The supervisory measures of on-site inspections and stress tests for the next year were decided on following the proceedings.





## PAYMENT AND E-MONEY SERVICES

Finantsinspektsioon carries out state supervision over payment and e-money institutions that operate under an activity licence granted by Finantsinspektsioon. It issued operating authorisations in 2021 to four payment institutions and one e-money institution. There were two e-money institutions and 15 payment institutions in the market at the end of 2021, four of them operating with an exemption. The requirements are not as strict for payment institutions with exemption from the authorisation as either the volume of payments they can intermediate is limited or they only provide account information services.

Finantsinspektsioon analysed in 2021 the revenue bases of payment institutions and the structure of their client assets, and continued to monitor riskier market participants through investigations and more detailed reporting. One violation of the minimum requirements for own funds set by law was discovered during the year, which arose during the launch of business activities of a payment institution. The violation was corrected after Finantsinspektsioon intervened.

The capitalisation of payment institutions was generally good at the end of the year, and they all met the standards for own funds. Some two thirds of the sales revenue of the sector came from providing payment services, and interest income from lending was an important source of revenue. The volumes of payments for online purchases were roughly one and a half times what they were in the previous year.

As well as inspecting capitalisation, Finantsinspektsioon assessed in 2021 whether the payment institutions and e-money institutions operating in Estonia with an authorisation from Finantsinspektsioon were providing information to their clients as required before they signed a contract and during the period of the contract. It also assessed the fees and costs associated with contracts and how they met the requirements for the charges to consumers for typical payment services. These steps gave a sufficiently good view of the market to indicate where risk-based supervision should focus particular attention. No major shortcomings were identified, but inspections and assessment will continue in 2022.

# INVESTMENT AND THE SECURITIES MARKET



Finantsinspektsioon carries out state supervision over investment firms, fund managers, and investment and pension funds that operate under activity licences granted by Finantsinspektsioon, and over the securities market. Banks are also involved in investment, offering their clients investment products and access to financial markets. There were 11 fund managers, 5 small fund managers, 70 funds, and 7 investment firms under supervision of Finantsinspektsioon at the end of 2021.

Finantsinspektsioon monitors trading in securities and disclosures of information by listed companies in the regulated market of Nasdaq Tallinn and the First North alternative market. At the end of 2021 Finantsinspektsioon was supervising 42 issuers on the trading venues.

## FINANTSINSPEKTSIOON REGISTERED 11 PROSPECTUSES DURING THE YEAR

Before offering its securities to the public in Estonia or before those securities are accepted for trading on the regulated market, a company must register its prospectus with Finantsinspektsioon. Finantsinspektsioon approved 11 prospectuses in total, of which eight were for the public offering, listing and admission to trading of shares, two were for public offerings, and one was for listing and trading. The activity in the capital markets is illustrated by the statistics for registering prospectuses in 2021, as Finantsinspektsioon had never before handled so many prospectuses in one year.

Securities can also be publicly offered in Estonia using a prospectus registered with the financial supervision authority of another country in the European Economic Area if the authority that has registered the prospectus has informed Finantsinspektsioon of this. There were more such prospectuses than usual in 2021 as Finantsinspektsioon was informed in 2021 of 23 public cross-border offers. Securities can also be offered in other countries of the European Economic Area using a prospectus registered with Finantsinspektsioon with a notification forwarded by Finantsinspektsioon. Finantsinspektsioon gave notification of four such international offers in 2021. Estonian issuers most commonly wanted to offer their securities in Latvia and Lithuania.

If the shares of a company are traded on the Estonian market, then in some cases the shares of that company may be subject to a takeover bid made to shareholders to acquire the voting rights. Finantsinspektsioon is responsible for registering and supervising the takeover bid and it registered two such bids in 2021.

## FINANTSINSPEKTSIOON INSPECTED SUSPICIOUS TRANSACTIONS IN THE SECURITIES MARKETS

The Securities Market Act requires Finantsinspektsioon to monitor transactions with financial instruments in places of trade to identify and move against possible criminal activity in the market. Traders also have a duty to inform Finantsinspektsioon of suspicious transactions and transaction orders. Professional participants in the securities market sent 64 reports of suspicious transactions and transaction orders in the securities market for Finantsinspektsioon to inspect last year.

## **FINANTSINSPEKTSIOON OBSERVED THE PUBLICATION OF REPORTS BY ISSUERS**

Finantsinspektsioon observes that listed issuers publish financial reports at the correct time, and that the content of the report complies with the requirements. Two issuers did not meet the deadlines for publication of financial reports, and so Finantsinspektsioon issued precepts to them. The disclosure of alternative performance measures in the annual reports of six listed issuers, the implementation of selected amendments to the IFRS in the financial statements of two issuers, and the disclosure of non-financial information in the reports of one listed issuer were examined in more detail. The examination led Finantsinspektsioon to direct individual listed issuers to improve the quality of their reporting in the next financial year.

## **FINANTSINSPEKTSIOON MAPPED CROSS-BORDER SERVICE PROVISION**

Finantsinspektsioon mapped the provision of cross-border investment services to countries in the European Economic Area by credit institutions and investment firms established in Estonia under the freedom to provide services. This showed that the amount of services provided cross-border and client volumes are relatively small.



## THE LEGAL ENVIRONMENT

The legislative environment of the Estonian financial sector is made up of domestic legislation, European Union directives and directly applicable regulations, and a large quantity of semi-legal regulation. There are over 600 regulations in total. For almost every legal question, Finantsinspektsioon has to compare the domestic law against the European Union law, and provide the various interpretations used in law for any contradictions or grey areas that emerge. All this needs to be done within a limited time frame and in the understanding that the steps taken may have a large impact on an individual participant in the financial system or on the supervisory system as a whole. Operating in such a legislative environment has in some cases proved a serious challenge even for true experts in financial law.

### FINANTSINSPEKTSIOON CONTRIBUTED TO LEGISLATION FOR THE FINANCIAL SECTOR

The legislative landscape was dense and intensive in 2021 as several draft laws were passed. Several other draft acts that are important for supervision were also being written and processed.

Good cooperation with the Ministry of Finance in 2021 led to the investor alert regulation in the Financial Supervision Authority Act being changed. Finantsinspektsioon gained a clearer right to publish alerts and to warn the public about activities that fail to comply with the requirements of financial supervision or about suspicions of this. On 28 January, the Administrative Chamber of the Supreme Court issued a ruling that the alert issued by Finantsinspektsioon was unlawful, finding that Finantsinspektsioon had no legal basis for warning the public against people who are not subject to financial supervision and who operate without an authorisation from Finantsinspektsioon. Finantsinspektsioon reacted rapidly to this ruling and proposed changes to the law to the Ministry of Finance in February, which came into force as legal standards in June 2021.

Finantsinspektsioon proposed to the Ministry of Finance in 2021 to change the regulation in the Investment Funds Act of managers of small funds operating without an authorisation. The registration framework for small fund managers without an authorisation needs grounds for refusing or revoking registration, to prevent registration being used to mislead investors and for risks to be managed legally and transparently in the interests of small fund managers operating without an authorisation. Finantsinspektsioon incurs costs for processing the reporting by such people but has no way to make them reimburse those costs. Unfortunately these costs are then met from the fees paid by the subjects of financial supervision.

Finantsinspektsioon proposed various changes that were accepted in the draft law on crowdfunding and other investment instruments and virtual currencies. It considered it unwise to bring together under one law three such different areas with different risks and procedures as crowdfunding, virtual currencies and investment instruments, as that would create complex legal constructions that may in practice prove complicated to handle. Finantsinspektsioon considers that Estonia should follow the European Union and regulate crowdfunding and virtual currencies with different laws. The draft act also requires further analysis and significant improvement in what concerns supervision of providers of virtual currency services.

Finantsinspektsioon contributed in 2021 to setting up a body for resolving financial disputes out of court. The aim is to set up at Finantsinspektsioon an out-of-court unit for resolving financial disputes, which would be headed by a financial ombudsman. Under this framework, consumers of financial services could if they wanted resolve disputes with providers of financial services during pre-court proceedings through the office of the financial ombudsman. The financial ombudsman should resolve disputes quickly without large costs for either side, and using thorough knowledge of financial law.

## **COURT CASES**

The operation of financial supervision in 2021 was affected very much by three court cases involving the companies GFC Good Finance Company and Nexo and the private individual Meelis Tikerpuu.

The court case with GFC Good Finance Company opened in 2019 and has not yet been resolved. GFC Good Finance Company AS, GFC Holding OÜ, Tiiu Järviste, Andrii Danchak and Lada Riisna filed a complaint with the Tallinn Administrative Court on 26 June 2019 demanding that decision no 4.1-1/70 of Finantsinspektsioon of 27 May 2019 be annulled and making related demands. The question at stake in the court case is essentially simple but fundamental, as Finantsinspektsioon found serious and wide-ranging violations of the Money Laundering and Terrorist Financing Prevention Act and the Payment Institutions and E-money Institutions Act and so it cancelled the operating authorisation of GFC Good Finance Company AS as a payment institution. This decision led to a lawsuit, in which claims for damages was submitted against Finantsinspektsioon that totalled over 13 million euros in some cases.

The case with Meelis Tikerpuu was opened in 2020. Finantsinspektsioon fined Meelis Tikerpuu 500 euros on 1 June 2020 for a misdemeanour under § 3891<sup>(1)</sup> of the penal code. Finantsinspektsioon identified the actions of Meelis Tikerpuu between 15.01.2020 and 07.02.2020 on six occasions in trading the shares of Coop Pank AS on the regulated market managed by Nasdaq Tallinn AS as market manipulation. The case ended with the ruling of the Supreme Court on 27.09.2021 that annulled the earlier ruling of the Tartu County Court and ended the misdemeanour proceedings against Meelis Tikerpuu for market manipulation. The outcome of the case highlights certain aspects of the legal framework and criminal law for market manipulation that need to be further addressed in similar circumstances in the future in order to ensure a workable and stronger response to possible market manipulation.

The third case concerns an investor alert published by Finantsinspektsioon on 4 March 2019. The alert stated that Finantsinspektsioon understood Nexo (<https://nexo.io>) to be intermediating credit backed by crypto assets from Credissimo to consumers in Estonia. Finantsinspektsioon highlighted in the alert that Nexo did not have an authorisation for intermediating consumer credit and that Credissimo did not have an authorisation for issuing consumer credit. Finantsinspektsioon considered that in consequence they had no right to offer those services in Estonia. The case ended with the ruling of the Supreme Court on 28 January 2021. The court found that the Financial Supervision Authority Act did not allow alerts to be published in this form. Following the ruling, Finantsinspektsioon temporarily stopped issuing investor alerts. After the law was amended, Finantsinspektsioon continued issuing alerts and also issued the alerts that had remained unreleased in the meantime.

## **MISDEMEANOUR PROCEEDINGS, FINES AND CRIMINAL REPORTS**

Finantsinspektsioon concluded six misdemeanour proceedings in 2021, which was the same number as in the previous year. One court case concerning a misdemeanour proceeding in 2020 was also concluded. Two cases of the proceedings concluded by Finantsinspektsioon concerned the activities of the holder of a qualifying holding in an investment firm, and the others concerned the activities of a credit institution, a creditor, an investment firm and a market manipulator. Finantsinspektsioon decided to terminate the misdemeanour proceedings brought against one credit institution without a decision on punishment, as the credit institution voluntarily compensated the losses to clients caused by its violation of the rules. Proceedings in a further three cases were continued into 2022, of which two concern an investment firm, and one concerns a possible market manipulator.

In 2021, 12 written warnings were issued by Finantsinspektsioon for minor violations. These mainly concerned market manipulation.

Finantsinspektsioon submitted 10 complaints of criminal activity in 2021, having submitted 30 in 2020. Most of the complaints concerned companies operating without authorisation.

Finantsinspektsioon issued a total of 91,000 euros in fines in 2021 for the misdemeanour proceedings that were concluded, of which a 32,000 euro fine was annulled by the court. The other 59,000 euros in fines were issued for a violation of internal rules by a creditor and violation of the requirements for acquiring a qualifying holding in an investment firm, and for market manipulation.



## **FINANTSINSPEKTSIOON AS A RESOLVER OF CRISES**

One aim of Finantsinspektsioon is to prevent any insolvency hurting financial stability, and so to protect the funds of the public sector, depositors, investors and other clients.

In 2021, Finantsinspektsioon extended and updated the resolution plans of the systemically important banks operating in Estonia together with the minimum requirements for eligible own funds and liabilities. The Resolution Department worked internationally on this with the resolution authorities and supervisory authorities of other countries, participating in crisis resolution colleges and contributing to the work of the internal resolution team. Finantsinspektsioon also continued extending, compiling and updating the resolution plans of the less important banks and investment firms operating in Estonia, and setting the minimum requirements for own funds and eligible liabilities.

## **FINANTSINSPEKTSIOON HELPED THE GUARANTEE FUND ACHIEVE ITS GOALS BETTER**

Finantsinspektsioon supported the work of the Guarantee Fund under a cooperation agreement signed between the two institutions. The work included cooperation on collecting the core data on contributions to the sectoral funds of the Guarantee Fund, and on compiling the volume forecasts for the sectoral funds.

## **THE SINGLE RESOLUTION FUND IN EUROPE TOOK IN SOME 10.4 BILLION EUROS IN 2021**

A resolution fund has been set up at the Guarantee Fund to finance crisis resolution, and the credit institutions operating in Estonia make regular payments in to it. The Guarantee Fund transfers the payments to the Single Resolution Fund set up at the European level, which is managed by the Single Resolution Board.

The single resolution fund took in some 10.4 billion euros in 2021 from over 3000 credit institutions and investment firms in Europe. The payments by the banks and investment firms in Estonia provided 0.117% of this amount. Payments were received for the sixth year in a row, and by the end of 2021 the funds built up for crisis resolution totalled 52 billion euros.

It is planned that by 2023 the single resolution fund will cover at least 1% of the volume of guaranteed deposits that are held in banks of member states of the banking union. The Single Resolution Board believes that it will need about 70 billion euros for this.

- **268 CONSUMER COMPLAINTS**
- **100 COMPLAINTS ABOUT PAYMENT SERVICES**
- **97 COMPLAINTS ABOUT CREDIT SERVICES**
- **28 COMPLAINTS ABOUT INSURANCE SERVICES**
- **15 COMPLAINTS ABOUT FUNDED PENSION SERVICES**





## CONSUMERS

Supervision over financial institutions brings Finantsinspektsioon into contact with consumers of financial services and products in various different ways. Before consuming a financial service, consumers can check on the website of Finantsinspektsioon whether the company providing it has the authorisation to do so. Finantsinspektsioon also issues alerts on its website about companies that are operating in the market without an authorisation.

### Finantsinspektsioon received 268 complaints about financial services providers

There were slightly fewer client complaints submitted to Finantsinspektsioon in 2021. There were 284 complaints submitted in 2020, while consumers contacted Finantsinspektsioon on 268 occasions in 2021. Some 70% of the complaints concerned payment and credit services.

Finantsinspektsioon has no legal authority to resolve consumer complaints, and so it cannot give assessments in individual cases about the legality of the activities of subjects of supervision or resolve the content of disputes. If a consumer contacts Finantsinspektsioon, it can use the complaint to make a supervisory enquiry of the financial institution to ask for explanations and to test whether it is acting in full compliance with the law. The main goal in handling the complaint is to find information on the risk environment and use this in planned supervisory activities to guide and control financial intermediaries.

### Finantsinspektsioon helps consumers of financial services protect themselves against fraud

Finantsinspektsioon issued a total of 1149 alerts in 2021, which was 134 fewer than in 2020. Of those alerts, 27 were written and published at the initiative of Finantsinspektsioon. European financial supervisors work together to spread information on companies operating without an authorisation, publishing alerts on companies in other countries too. Before consuming a financial service, consumers can check on the website of Finantsinspektsioon whether the company providing it has the authorisation to do so in Estonia. They can also check whether any alerts have been issued about the service provider.

### Finantsinspektsioon promotes consumer education through the consumer website, podcasts and online seminars

Financial intermediaries are constantly bringing new products and services to the market or adding new options to their current offers. To help improve the financial literacy of the Estonian public, Finantsinspektsioon set up the consumer website [minuraha.ee](http://minuraha.ee) 10 years ago. The text on the consumer website is updated regularly with content created by Finantsinspektsioon's partners.

[Minuraha.ee](http://Minuraha.ee) offers independent advice on the financial services and products that are on the market, and distributes practical resources for schoolteachers to use in class. The main information website is grouped by subject area under banking, insurance, investment, and pensions. The latest news and most popular information can be found on the front page.

Finantsinspektsioon started to produce online seminars in 2021 to supplement its podcasts for consumers who know more about the financial world and are more interested in it.



## HOW DOES FINANTSINSPEKTSIOON PROTECT CONSUMERS?

### Interview with the head of the Financial Services Supervision Department Mari Puusaag-Tamme

An important part of the work of Finantsinspektsioon concerns keeping financial services transparent, trustworthy and effective. We work for people to make sure that the interests of clients of providers of financial services are protected. We make sure that service providers follow the requirements when producing their products and services, so that the products and services are directed to the appropriate target groups and all the important information about them is provided clearly and transparently.

#### **How do you decide which inspections to make at which financial companies?**

Finantsinspektsioon carries out risk-based supervision. This means we focus on the most important risks, which are the ones that have the potential to cause the most harm to clients and the market in terms of the priorities of Finantsinspektsioon. Supervision of financial services is by its nature preventative, appropriate and proportional. Finantsinspektsioon has to understand the market and the providers of financial services, and so our staff monitor the market constantly to analyse client complaints, observe advertising and the products on the market, communicate with market participants directly or through various questionnaires, and study reports. On top of the monitoring and analysis, Finantsinspektsioon takes decisions from the data received on who needs to be looked at more closely, and whether a remote inspection is sufficient to achieve that, or whether an on-site inspection is needed.

#### **Finantsinspektsioon also receives consumer complaints directly from the public. What were the main problems reported in 2021?**

The complaints about financial services received in 2021 were not essentially very different from those received in the previous year. Complaints about credit issuing again mainly concerned credit contracts, such as compliance with post-contract liabilities and fair assessment of credit capacity. With insurance there were complaints about differences of opinion about compensation for damages, mainly refusals to pay compensation for damages and disputes over the amount of compensation. The most common complaints about the banks concerned settlements. Clients were mainly unhappy about the completion of payment transactions.

Client complaints help Finantsinspektsioon carry out risk-based supervision and give information on what is happening in the market. Finantsinspektsioon is however not responsible for resolving complaints or contractual disputes. Neither does it assess or weigh evidence, interpret contracts, or give opinions on individual cases. Finantsinspektsioon can clarify legal standards using various guidelines and memorandums and is ready to help consumers communicate with service providers.

**Could there be a quicker and simpler way for people to resolve their problems without having to turn to the courts?**

Issues concerning financial services are by their nature complex and require knowledge and expertise. Resolving disputes also requires knowledge and experience of the field. There is currently no body in Estonia for resolving disputes about financial services outside of the courts. Establishing a financial ombudsman at Finantsinspektsioon would however give people a chance to resolve their disputes out of court, while also being cheaper, simpler and less formal than a court case. Finantsinspektsioon has the professional skills, experience and knowledge to set up an ombudsman at the institution, and is in constant and effective dialogue with financial intermediaries.

- **8.6 MILLION EUROS IN SUPERVISION FEES**
- **169,000 EUROS IN OTHER REVENUES**
- **7.6 MILLION EUROS IN OPERATING EXPENSES**



## INCOME AND EXPENSES OF FINANTSINSPEKTSIOON

The Finantsinspektsioon annual profit and loss account has been prepared in accordance with the Financial Supervision Authority Act and the accounting principles detailed here. Under the Eesti Pank Act, Finantsinspektsioon does not pay income tax or any other taxes related to its economic activities to the state budget, except taxes related to natural persons. Under Section 21 of the Value Added Tax Act, Finantsinspektsioon is registered as a taxable person with limited liability and calculates the value added tax from the supply of intra-Community acquisition or imports of goods and services. Income and expenses are recorded during the accounting period on an accrual basis regardless of when cash was received or paid. The profit and loss account has been prepared on the historical cost basis. Claims for supervision fees reflect claims submitted to subjects of supervision for supervision fees to be paid within the deadline set in the Financial Supervision Authority Act. The profit and loss account has been prepared in thousands of euros unless indicated otherwise.

### Accounting and reporting currency

The accounting currency of Finantsinspektsioon is the euro. This annual profit and loss account has been prepared in thousand euros.

### Cash and cash equivalents

Cash and cash equivalents reflects the balance on the settlement account at Eesti Pank.

### Supervision fees

The operations of Finantsinspektsioon are mainly covered by supervision fees paid by the subjects of financial supervision and procedural fees under the Financial Supervision Authority Act.

The supervision fee has two components. The first is the capital share, which depends on the type of supervised entity and is 1% of the capital requirement of that entity, which may be minimum net own funds, minimum capital requirement, the highest of minimum equity or own funds or share capital or core capital, or similar. The second is the volume share, which is the rate that is set annually by the Ministry of Finance at the proposal of the Finantsinspektsioon Supervisory Board and is paid on assets, gross premiums, total intermediation fees, the stock of consumer credit, or another basis, depending on the type of supervised entity.

Under the Financial Supervision Authority Act, the pre-payment of the supervision fee is calculated from the arithmetic average of the value of the assets of the subject of supervision, which for most subjects is found from the balance sheet data submitted to Finantsinspektsioon on 31 December of the year preceding the year that the decision concerns, and on 31 March and 30 June of the current year.

The capital share and the volume share of the supervision fees are paid in advance to the Finantsinspektsioon budget by 31 December of the preceding year. The final payment of the volume share is paid into the budget by 1 September. Entities that fall under supervision during the financial year pay only the capital share of the supervision fee within 30 days of receiving the right to operate.

The balance sheet item 'Supervision fee claims' reflects the prepayments of supervision fees not yet received by Finantsinspeksioon and 'Revenues of future periods' reflects prepayments of supervision fees.

The principles for the financing of Finantsinspeksioon are set out in more detail in the Financial Supervision Authority Act.

### Operating leases

An operating lease is a lease where where the significant risks and benefits of ownership of the asset are not transferred to the lessee. Operating lease payments are reflected as an expense linearly across the lease period in the profit and loss account.

## PROFIT AND LOSS ACCOUNT

*thousand euros*

	Appendix	2021	2020
<b>INCOME</b>			
Supervision fees	1	9 564	8 624
Other income	2	197	169
<b>Total operating income</b>		<b>9 761</b>	<b>8 793</b>
<b>EXPENSES</b>			
Labour Costs	3	6 033	5 268
Sundry operating expenses	4	2 330	2 227
Other expenses	5	156	101
<b>Total operating expenses</b>		<b>8 519</b>	<b>7 596</b>
<b>Result from core activities</b>		<b>1 242</b>	<b>1 197</b>
Financial income and expenses	6	-60	-50
<b>Result for the reporting year</b>		<b>1 182</b>	<b>1 147</b>

## APPENDIXES TO THE ANNUAL PROFIT AND LOSS ACCOUNT

### APPENDIX 1

#### Supervision fees

*in thousand euros and volume share rates in %*

	Supervisory fees 2021	Supervisory fee volume share rates 2021
Credit institutions	6 720	0.0147
Non-life insurers	912	0.097
Fund managers	663	0.0013/0.0095/0.013
Life insurers	456	0.023
Creditors	246	0.1
Insurance brokers	194	0.92
Investment firms	247	0.23
Payment institutions	80	0.019
Credit intermediaries	15	0.1
Pension register administrator	19	0.5
Regulated securities market operator		
E-money institutions	5	0.22
Credit institutions issuing covered bonds	7	0.001
<b>Total</b>	<b>9 564</b>	

*in thousand euros and volume share rates in %*

	Supervisory fees 2020	Supervisory fee volume share rates 2020
Credit institutions	5 881	0.0147
Non-life insurers	970	0.097
Fund managers	620	0.0013/0.0095/0.013
Life insurers	435	0.023
Creditors	224	0.1
Insurance brokers	202	0.92
Investment firms	171	0.23
Payment institutions	79	0.019
Credit intermediaries	19	0.1
Pension register administrator	18	0.5
Regulated securities market operator		
E-money institutions	5	0.22
Credit institutions issuing covered bonds	-	-
<b>Total</b>	<b>8 624</b>	

## APPENDIX 2

### Other income

*thousand euros*

	2021	2020
Processing fees	64	39
Other income	133	130
<b>Total</b>	<b>197</b>	<b>169</b>

Under the Financial Supervision Authority Act, any natural person, legal person or branch of a foreign business that applies to Finantsinspeksioon to have an application considered or a transaction completed pays a processing fee to Finantsinspeksioon.

The service fee paid by the Guarantee Fund under the cooperation agreement signed between Finantsinspeksioon and the Guarantee Fund, is recorded under other income.

## APPENDIX 3

### Labour Costs

*thousand euros*

	2021	2020
Salaries	4 442	3 890
Taxes	1 521	1 308
Supervisory Board remuneration	70	70
<b>Total</b>	<b>6 033</b>	<b>5 268</b>

Staff costs cover the salaries, bonuses, remuneration of members of the management board, severance pay, and the imputed increase in holiday entitlement arising from unused holidays, together with social tax and unemployment insurance of 122 thousand euros.

The average salary of employees of Finantsinspeksioon in 2021 was 2973 euros a month.

The total remuneration paid out to members of the Finantsinspeksioon Supervisory Board and Management Board in 2021 was 452 thousand euros. The remuneration paid out to them in 2020 was 452 thousand euros. Performance bonuses paid out to employees accounted for 7.6% of staff costs.

There were 110 members of staff as at 31 December 2020, including members of the Management Board.



## APPENDIX 4

### Sundry operating expenses

*thousand euros*

	2021	2020
Membership fees for international organisations	945	806
Rent of real estate	353	316
IT infrastructure, software and development	706	755
Business travel	1	41
Office expenses	76	87
Communication costs	46	38
Training	24	40
Accounting services	60	56
Legal assistance and consultation	2	1
Information agencies	30	16
Personnel work	14	13
Cost of leasing fixed assets	60	50
Audit costs	13	8
<b>Total</b>	<b>2 330</b>	<b>2 227</b>

Under membership fees for international organisations, Finantsinspektsioon records fees paid for membership to ESMA, EIOPA, EBA, IAIS, BSCEE, and IOSCO.

Sundry operating expenses also include the expenses for services provided by Eesti Pank, which are agreed in a cooperation protocol signed between Eesti Pank and Finantsinspektsioon in 2020. These services are described below.

Rent of real estate covers the office space rented from Eesti Pank with a total surface of 1738.8 m<sup>2</sup>, at a monthly price of 14.92 euros/m<sup>2</sup>. It includes the real estate management services purchased from Eesti Pank.

IT infrastructure, software and development reflects the information technology services bought from Eesti Pank at an imputed cost of 4711.00 euros per user per year, and the IT infrastructure and development projects for Finantsinspektsioon.

Accounting costs cover the cost accounting, partial management accounting, payroll accounting, credit accounting, and payment and settlement execution purchased from Eesti Pank.

The cost of leasing fixed assets includes the rental costs on an annual basis paid by Finantsinspektsioon to Eesti Pank for fixed assets used by Finantsinspektsioon including IT hardware and software, and inventory. The amount of the lease is equal to the amortisation rate of the fixed asset of Eesti Pank.

## APPENDIX 5

### Other expenses

*thousand euros*

	2021	2020
Guarantees and benefits	100	70
Culture and sport	59	31
Court costs	-3	0
<b>Total</b>	<b>156</b>	<b>101</b>

Guarantees and benefits are maternity support, extraordinary allowances and costs for promoting health and sport among the staff. This cost item also covers the reimbursement of one third of the contributions made by Finantsinspektsioon employees to the voluntary pension system, but not more than 10% of their gross annual salary.

Culture and sport records the costs of events for employees of Finantsinspektsioon.

Court costs reflects the court costs of 7000 euros for the case opened in 2019, and 4000 euros from a reduction in the costs of the case resolved in 2021 due to the actual amount compensated.

## APPENDIX 6

### Financial income and expenses

*thousand euros*

	2021	2020
Financial income and expenses	-60	-50
<b>Total</b>	<b>-60</b>	<b>-50</b>

Financial income and expenses covers the interest costs of holding reserves at Eesti Pank. The funds held by Finantsinspektsioon at Eesti Pank had been subject to the EONIA interest rate since 1 October 2015.

## BALANCE SHEET

thousand euros

Assets	31.12.2021	31.12.2020
Cash and bank accounts	18 471	16 329
Supervision fee claims	225	195
<b>Total assets</b>	<b>18 696</b>	<b>16 524</b>
<b>LIABILITIES AND RESERVES</b>		
Liabilities to employees	340	218
Sundry liabilities	1 434	1 296
Income of future periods	10 142	8 979
Provision for possible future liabilities	0	7
<b>Total liabilities</b>	<b>11 916</b>	<b>10 500</b>
Reserves	5 598	4 877
Result for the reporting year	1 182	1 147
<b>Reserves and result for the reporting year, total</b>	<b>6 780</b>	<b>6 024</b>
<b>Liabilities, reserves and result for the reporting year, total</b>	<b>18 696</b>	<b>16 524</b>

Cash and bank accounts reflects the balance on the settlement account at Eesti Pank.

Supervision fee claims are the prepayments of 225 thousand euros in supervision fees for 2022 not yet received by Finantsinspeksioon. The claim in 2020 for unpaid advance supervision fees for 2021 was 195 thousand euros.

Liabilities to employees covers holiday liabilities. Holiday liabilities are the 340 thousand euros of the imputed liability of Finantsinspeksioon for holiday entitlement unused by employees. Holiday liabilities in 2020 were 218 thousand euros.

Sundry liabilities covers the costs to Finantsinspeksioon that Eesti Pank covered in 2021 and for which Finantsinspeksioon will compensate Eesti Pank in 2022. Finantsinspeksioon's expenses are recorded in the annual report on an accrual basis.

Income of future periods records the prepaid supervision fees for 2022 of 10,142 thousand euros. Income of future periods in 2020 recorded the prepaid supervision fees for 2021 of 8979 thousand euros.

The reserve in 2021 stood at 5598 thousand euros, as 426 thousand euros were returned from the surplus in the 2020 budget to the subjects of supervision equally and proportionally.

The profit for the reporting year in 2021 was 1182 thousand euros.

## **ACTIVITIES OF THE INTERNAL AUDITOR**

In the opinion of the Internal Auditor, the decisions of the Supervisory Board and the Management Board of the Financial Supervision Authority were implemented well in 2021. The management and control system operated to a significant extent with reasonable expectations.

In the opinion of the Internal Auditor, the employees of the Supervision Authority had a sufficient sense of responsibility in the prevention of conflicts of interest and the measures to prevent conflicts of interest operated in accordance with the requirements provided by law in the Finantsinspektsioon.

The internal auditor performed his engagements using risk-based, compliance and overview approaches in 2021. The internal auditor was fully independent in the general planning of his work, execution of his official duties, and organisation of his work, and neutral and objective in the delivery of the results to the Management Board and the Supervisory Board. The Supervisory Board and the Management Board allocated sufficient resources for the functioning of the internal audit in 2021.

In his activities, the Internal Auditor followed the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of the Institute of Internal Auditors and the Internal Audit Charter and the IAC Manual of the European System of Central Banks and the Single Supervision Mechanism. According to the internal auditor's assessment based on key indicators, the internal audit has acted in line with reasonable expectations and standards with the required quality level.

The Financial Supervision Authority Act was changed last year to bring the internal auditor directly under the Supervisory Board.

Raivo Linnas, PhD

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Translation of the Estonian Original

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Supervisory Board of Finantsinspektsioon**

#### ***Opinion***

We have audited the annual report of revenues and expenditures of Finantsinspektsioon, which comprise the balance sheet as at 31 December 2021, and the revenue and expenditure report for the year then ended, and summary of significant accounting policies.

In our opinion, the annual report of revenues and expenditures present fairly, in all material respects, the financial position of Finantsinspektsioon as at 31 December 2021 in accordance with the Financial Supervision Authority Act and the accounting principles stated in the annual report of revenues and expenditures.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual report of revenues and expenditures" section of our report. We are independent of the Finantsinspektsioon in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) together with the ethical requirements that are relevant to our audit of the annual report of revenues and expenditures in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

#### ***Other matter***

The annual report of revenues and expenditures of Finantsinspektsioon for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on them on 19 March 2021.

#### ***Other information***

Other information consists of the paragraphs included in the 2021 annual report, but does not consist of the annual report of revenues and expenditures and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the annual report of revenues and expenditures does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection with our audit of the annual report of revenues and expenditures, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual report of revenues and expenditures or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***Responsibilities of management and Supervisory Board for the Annual Report of Revenues and Expenditures***

Management is responsible for the preparation and fair presentation of the annual report of revenues and expenditures in accordance with the Financial Supervision Authority Act, and for such internal control as management determines is necessary to enable the preparation of annual report of revenues and expenditures that are free from material misstatement, whether due to fraud or error.

In preparing of the annual report of revenues and expenditures, management is responsible for assessing the Finantsinspektsioon's ability to continue as a going concern, disclosing, as applicable, matters related to going concern



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and using the going concern basis of accounting unless management either intends to liquidate the Finantsinspektsioon or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Finantsinspektsioon's financial reporting process.

***Auditor's responsibilities for the audit of the annual report of revenues and expenditures***

Our objectives are to obtain reasonable assurance about whether the annual report of revenues and expenditures as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these the annual report of revenues and expenditures.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement the annual report of revenues and expenditures, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Finantsinspektsioon's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Finantsinspektsioon's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual report of revenues and expenditures or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Finantsinspektsioon to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the annual report of revenues and expenditures, including the disclosures, and whether the annual report of revenues and expenditures represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Tallinn, 18 March 2022

Olesia Abramova  
Authorised Auditor's number 561  
Ernst & Young Baltic AS  
Audit Company's Registration number 58  
Rävala pst 4, 10143 Tallinn

## **CONFIRMATION BY THE MANAGEMENT BOARD**

### **Tallinn 2022**

The annual report has been prepared by the Management Board of Finantsinspeksioon and presented for approval to the Supervisory Board of Finantsinspeksioon. The annual report is submitted to the Riigikogu.

The annual report contains a review of the work of Finantsinspeksioon, including the annual profit and loss account, the balance sheet, the auditor's report

The Management Board of Finantsinspeksioon confirm that the profit and loss account for the year for Finantsinspeksioon meet the requirements of the Financial Supervision Authority Act and the applicable accounting principles.

**Kilvar Kessler    Andres Kurgpõld    Andre Nõmm    Siim Tammer**

/allkirjastatud digitaalselt/

# TABLES

## TABLE 1. GUIDELINES

Table 1.1. Guidelines issued by Finantsinspeksioon		
Name of the guideline	Date	Decision number
Issue of the European Securities and Markets Authority guidelines "Guidelines on performance fees in UCITS and certain types of AIFs" as Finantsinspeksioon advisory guidelines	11/01/2021	1.1-7/1
Issue of the Recommendation of the European Systemic Risk Board of 25 May 2020 on liquidity risks arising from margin calls (ESRB/2020/6) as Finantsinspeksioon advisory guidelines	18/01/2021	1.1-7/9
Issue of the European Banking Authority guidelines EBA/GL/2020/14 "Guidelines on the specification and disclosure of systemically important indicators" as Finantsinspeksioon advisory guidelines	25/01/2021	1.1-7/15
Amendment to Finantsinspeksioon advisory guidelines "Limits on disbursements during the Covid-19 pandemic"	08/02/2021	1.1-7/28
European Securities and Markets Authority Guidelines of 4 March 2021, "Guidelines on disclosure requirements under the Prospectus Regulation" (ESMA32- 382-1138)	22/03/2021	1.1-7/58
Issue of the European Securities and Markets Authority guidelines "Notification under Articles 4 and 12 of the SFTR" as Finantsinspeksioon advisory guidelines	24/05/2021	1.1-7/96
Issue of the European Banking Authority guidelines EBA/GL/2020/01 "Guidelines specifying the conditions for the application of the alternative treatment of institutions' exposures related to 'tri-party repurchase agreements' set out in Article 403(3) of Regulation (EU) 575/2013 for large exposures purposes" as Finantsinspeksioon advisory guidelines	24/05/2021	1.1-7/98
Guidelines on certain aspects of the MiFID II compliance function requirements (ESMA35-36-1952)	24/05/2021	1.1-7/97
Guidelines on the monitoring of the threshold and other procedural aspects on the establishment of intermediate EU parent undertakings under Article 21b of Directive 2013/36/EU (EBA/GL/2021/08)	15/11/2021	1.1-7/194
Issue of the European Securities and Markets Authority guidelines "Guidelines on outsourcing to cloud service providers" as Finantsinspeksioon advisory guidelines	07/06/2021	1.1-7/103
Issue of the European Insurance and Occupational Pensions Authority (EIOPA) guidelines "Guidelines on Information and Communication Technology Security and Governance" as Finantsinspeksioon advisory guidelines	07/06/2021	1.1-7/104
The Finantsinspeksioon supervisory policy to promote an innovative financial sector	14/06/2021	1.1-7/110
Issue of the European Insurance and Occupational Pensions Authority (EIOPA) guidelines "Guidelines on PEPP supervisory reporting" (EIOPA-21/260) as Finantsinspeksioon advisory guidelines	02/08/2021	1.1-7/132
Issue of the European Securities and Markets Authority guidelines "Guidelines on Article 25 of Directive 2011/61/EU" as Finantsinspeksioon advisory guidelines	16/08/2021	1.1-7/136
Issue of the European Securities and Markets Authority guidelines "Guidelines on stress test scenarios under the Money Market Funds Regulation" as Finantsinspeksioon advisory guidelines	23/08/2021	1.1-7/138
Issue of the European Securities and Markets Authority guidelines "Guidelines on written agreements between members of CCP colleges" as Finantsinspeksioon advisory guidelines	30/08/2021	1.1-7/142



**Table 1.1. Guidelines issued by Finantsinspeksioon**

<b>Name of the guideline</b>	<b>Date</b>	<b>Decision number</b>
Issue of the European Securities and Markets Authority guidelines "Guidelines on the MiFID II/MiFIR market data obligations" as Finantsinspeksioon advisory guidelines	13/09/2021	1.1-7/151
Issue of the European Securities and Markets Authority guidelines "Guidelines on marketing communications under the Regulation on cross-border distribution of funds" as Finantsinspeksioon advisory guidelines	20/09/2021	1.1-7/154
Issue of the European Banking Authority "Guidelines on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions ('The ML/TF Risk Factors Guidelines') under Articles 17 and 18(4) of Directive (EU) 2015/849"	27/09/2021	1.1-7/160
Issue of the European Securities and Markets Authority guidelines "Guidelines on enforcement of financial information" as Finantsinspeksioon advisory guidelines	11/10/2021	1.1-7/166
Issue of the European Banking Authority guidelines EBA/GL/2021/03 "Revised Guidelines on major incident reporting under PSD2" as Finantsinspeksioon advisory guidelines	18/10/2021	1.1-7/173
Issue of Finantsinspeksioon advisory guidelines "Application of international financial sanctions in credit and financial institutions"	25/10/2021	1.1-7/177
Issue of the European Banking Authority guidelines EBA/GL/2020/14 "Guidelines on criteria for the use of data inputs in the risk-measurement model referred to in Article 325bc of Regulation (EU) No 575/2013 (Capital Requirements Regulation)" as Finantsinspeksioon advisory guidelines	01/11/2021	1.1-7/183
Issue of Finantsinspeksioon advisory guidelines "Finantsinspeksioon's supervisory policy for crowdfunding services"	10/11/2021	1.1-7/182
Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05)	15/11/2021	1.1-7/195
Issue of the European Banking Authority guidelines "Guidelines on the monitoring of the threshold and other procedural aspects on the establishment of intermediate EU parent undertakings under Article 21b of Directive 2013/36/EU" (EBA/GL/2021/08) as Finantsinspeksioon advisory guidelines	16/11/2021	1.1-7/194
Joint European Securities and Markets Authority and European Banking Authority guidelines of 02.07.2021 "Guidelines on the assessment of the suitability of members of the management body" (EBA/GL/2021/06; ESMA35-36-2319)	13/12/2021	1.1-7/210
Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04)	20/12/2021	1.1-7/218
Issue of the European Banking Authority guidelines "Guidelines on internal governance" as Finantsinspeksioon advisory guidelines	31/12/2021	1.1-7/195

## TABLE 2. AUTHORISATIONS

Table 2.1. Issue of operating authorisations			
Sector	Name of business	Decision of the Management Board number	Date of decision
insurance broker	Mede Kindlustusmaakler OÜ	4.1-1/202	Management board decision 21.12.2020, Entry in the list of intermediaries 15.01.2021
e-money institution	IPF Digital AS	4.1-1/1	11/01/2021
payment institution	OÜ MyFinancier	4.1-1/27	15/03/2021
payment institution	AS Creditinfo	4.1-1/41	05/04/2021
creditor and mortgage creditor	Clementer OÜ	4.1-1/60	24/05/2021
payment institution	Crowdestate AS	4.1-1/82	21/06/2021
insurance broker	Herrmann, Huebner & Partner Insurance Broker OÜ	4.1-1/94	Management board decision 12.07.2021, Entry in the list of intermediaries 14.07.2021
creditor	BuyPlan OÜ	4.1-1/100	02/08/2021
payment institution (additional authorisation)	Maksekeskus AS	4.1-1/127	27/09/2021
investment firm	Grünfin AS	4.1-1/133	04/10/2021
creditor	TKM Finants AS	4.1-1/161	13/12/2021

Table 2.2. Withdrawals of authorisations			
Sector	Name of business	Decision of the Management Board number	Date of decision
insurance broker	Norsk Insurance Brokers OÜ	4.1-1/79	14.06.2021
credit intermediary	Credible Finance OÜ	4.1-1/150	22/11/2021

**Table 2.3. Authorisations for cross-border activity**

Sector	Name of business	Notification
Credit institution	AS SEB Pank	Intent to provide cross-border services in Latvia, Lithuania (loan transactions and collateral and liabilities, and payment services) and Finland (payment services)
Credit institution	AS Inbank	Intent to provide cross-border services in Finland (deposit taking)
Payment institution	Adson AS	Intent to provide cross-border payment services in Austria, Finland and Germany
Payment institution	Wallester AS	Intent to provide cross-border payment services in Austria, Belgium, Bulgaria, Spain, Croatia, Italy, Ireland, Iceland, Greece, Cyprus, Luxembourg, the Netherlands, Malta, Poland, Portugal, France, Romania, Germany, Slovakia, Slovenia, Czechia, and Hungary
Payment institution	Meieni OÜ	Intent to provide cross-border payment services in Latvia and Lithuania
Payment institution	AS Creditinfo	Intent to provide cross-border payment services in Latvia and Lithuania
E-money institution	IPF Digital	Intent to provide cross-border payment and e-money services in Latvia and Lithuania
Insurance broker	Herrmann, Huebner & Partner Insurance Broker OÜ	Intent to provide cross-border insurance service intermediation in the countries of the European Economic Area (except Croatia)
Insurance broker	InPro Insurance Brokers OÜ	Intent to provide cross-border insurance service intermediation in the countries of the European Economic Area
Insurance agent	AS Antista	Intent to provide cross-border insurance service intermediation in Latvia
Non-life insurance	AS LHV Kindlustus	Intent to provide cross-border insurance activities in Latvia and Lithuania
Insurance company	Bondora AS	Intent to provide cross-border services in the Netherlands
Investment firm	Funderbeam Markets AS	Intent to provide cross-border services in: Austria, Spain, the Netherlands, Croatia, Ireland, Iceland, Lithuania, Latvia, Norway, Portugal, France, Sweden, Germany, Slovenia, Finland, Denmark, Czechia, Hungary, Belgium, Bulgaria, Cyprus, Luxembourg, Italy, Poland, Romania, Malta, Liechtenstein, Slovakia and Greece

**Table 2.4. Granting authorisations to found or close a branch of an Estonian company in a foreign country**

Sector	Name of business	Decision of the Management Board number	Date of decision
payment institution	Maksekeskus AS	4.1-1/50	03/05/2021

**Table 2.5. Setting up a branch of a foreign business in Estonia or terminating its activities**

Sector	Name of business	Decision of the Management Board number	Date of decision
insurance broker	Intus Financial Services Oy Ltd Estonia branch	protocol decision, closure of the branch of the insurance broker from a notification from its country of origin, no administrative decision by Finantsinspektsioon	16/03/2021
credit institution	PayEx Sverige AB	4.1-1/96	19/07/2021

**Table 2.6 Providing international financial services in Estonia. International notifications of intention to provide cross-border financial services in Estonia**

<b>Sector</b>	<b>in 2020</b>	<b>in 2021</b>
Banking services	378	360
Investment services	2312	696
Non-life insurance services	499	443
Life insurance services	115	100
Insurance intermediation services	2184	1749
Credit intermediation services	34	5
Payment services	91	127
E-money institution services	73	214
Fund management services	6	53
International provision of investment funds	103	443

## TABLE 3. CHANGES TO FUNDS

### 3.1. Registration of investment and pension funds, changes to conditions, and other procedures

Name of fund	Event	Date/decision number
LHV Täiendav Pensionifond	Changes to conditions	11/01/2021
LHV Pensionifond Indeks Pluss	Changes to conditions	11/01/2021
LHV Pensionifond XS	Changes to conditions	11/01/2021
Swedbank Pensionifond K10	Changes to conditions	11/01/2021
LHV Pensionifond XL	Changes to conditions	18/01/2021
SEB Konservatiivne Pensionifond	Changes to conditions	29/03/2021
SEB Pensionifond 100	Changes to conditions	29/03/2021
SEB Aktiivne Pensionifond	Changes to conditions	29/03/2021
Tuleva III Samba Pensionifond	Changes to conditions	26/04/2021
Luminor Pensionifond Jätkusuutlik Tulevik, Indeks	Initial registration	07/06/2021
Luminor Täiendav Pensionifond Jätkusuutlik Tulevik, Indeks	Initial registration	07/06/2021
EfTEN United Property Fund	Initial registration	21/06/2021
Swedbank Fondifond 30 (Tasakaalustatud strateegia)	Issue of authorisation to merge	06/09/2021
Swedbank Fondifond 60 (Kasvustrateegia)	Issue of authorisation to merge	06/09/2021
Swedbank Fondifond 100 (Aktisiastrateegia)	Issue of authorisation to merge	06/09/2021
Swedbank III Samba Pensionifond Indeks	Initial registration	13/09/2021
Swedbank Pensionifond Indeks	Initial registration	13/09/2021
EfTEN Real Estate Fund 5 usaldusfond	Permission to make offers in Estonia	22/11/2021
Swedbank Pensionifond K30	Changes to conditions	13/12/2021
Swedbank Pensionifondi K60	Changes to conditions	13/12/2021
Swedbank Pensionifondi K100	Changes to conditions	13/12/2021
Swedbank Pensionifond K1990-1999 indeks	Changes to conditions	27/12/2021

## TABLE 4. CONSUMER COMPLAINTS

4.1. Number of complaints sent to Finantsinspektsioon by sector			
	2019	2020	2021
Payment services	86	138	100
Credit services	78	93	97
Insurance services including insurance intermediation	45	26	28
Funded pensions	6	2	15
Investment services	12	13	25
Deposit transactions for taking deposits and other repayable funds from the public	2	3	3
Other including unspecified	7	9	0
<b>Total</b>	<b>236</b>	<b>284</b>	<b>268</b>

4.2. Number of complaints sent to Finantsinspektsioon by service provider	
Credit institutions	154
Creditors	55
Pension register administrator	13
Non-life insurers	21
Insurance intermediary	1
Payment institutions	5
Investment firms	4
Life insurers	4
Credit intermediaries	2
Unnamed service provider	6
Fund managers	2
E-money institutions	1
<b>Total</b>	<b>268</b>

4.3. Number of complaints sent to Finantsinspektsioon by company	
	41
Swedbank AS	41
Luminor Bank AS	32
AS LHV Pank	23
Unnamed service provider	21
AS SEB Pank	20
Bondora AS	18
AS Pensionikeskus	13

### 4.3. Number of complaints sent to Finantsinspeksioon by company

Cross-border service provider	9
ESTO AS	8
Coop Pank AS	8
AB Kreditex AS	6
AAS BTA Baltic Insurance Company Estonia branch	5
BB Finance OÜ	4
ERGO Insurance SE	4
Monefit Estonia OÜ	3
Compensa Vienna Insurance Group, ADB Estonia branch	3
Bigbank AS	3
Aktsiaselts SEB Liising	3
Holm Bank AS	3
Swedbank P&C Insurance AS	3
Admiral Markets AS	3
TF Bank AB (publ.) Estonia branch	3
Compensa Life Vienna Insurance Group SE	2
PLACET GROUP OÜ	2
mogo OÜ	2
AS TBB pank	2
AB Lietuvos draudimas Estonia branch	2
AS Citadele Banka Estonia branch	2
Telia Försäkring AB Estonia branch	1
Maksekeskus AS	1
Subject not supervised by Finantsinspeksioon	1
Swedbank Investeerimisfondid AS	1
Creditstar Estonia AS	1
Aktsiaselts Cresco Väärtpaperid	1
AS SEB Varahaldus	1
BestCredit OÜ	1
Monestro P2P OÜ	1
If P&C Insurance AS	1
AS LHV Finance	1
Salva Kindlustuse AS	1
AS LHV Kindlustus	1
Fresh Finance OÜ	1
Akciné draudimo bendrovė Gjensidige Estonia branch	1
Nordea Bank Abp Estonia branch	1
Aktsiaselts INGES KINDLUSTUS	1
Ühisraha OÜ	1
UAB Paysera LT	1
Crowdestate AS	1
<b>Total</b>	<b>268</b>

