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Finantsinspektsioon worked with businesses in the financial sector to map the rules that unreasonably hinder financial innovation. The aim of this assessment was to identify whether the current legislation contains out-of-date rules that block innovation in unreasonable ways.

As the majority of the financial sector legislation comes from European Union law or is based on other international standards, the analysis focused primarily on local law and the choices that have been made under it and that can be changed in Estonia.

“The aim of the analysis is primarily to identify those local rules that have stood in the way of technical development, where out-of-date rules prevent new approaches and methods being introduced that could give the same or even better results”, explained Andre Nõmm of the Finantsinspektsioon management board.

The analysis established that there are few norms in the financial market that directly hinder the introduction of innovative solutions. Several of the proposals of businesses were directed more broadly towards creating an environment that is supportive of innovation, while they also suggested ways that Finantsinspektsioon could support innovation better. Around 80 proposals were submitted to Finantsinspektsioon in total.

One obstacle to innovation that several market participants identified was Estonia’s extraordinarily strict anti-money laundering identification requirements, which are a disproportionate restriction on founding businesses targeting international financial markets in Estonia, and do not allow all of the solutions identified to be used.

“Estonian law is indeed too inflexible on questions of when to meet clients face-to-face, or when and under what technical conditions video identification or similar can be used. There is room to make this regulation more risk-based and more convenient for clients, so that market participants can choose for themselves without increasing the risk of money laundering. The rules need to be neutral about the identification technology and methods used, as there has been a great deal of development in this”, said Mr Nõmm.

Finantsinspektsioon has also started a public discussion with the financial sector on supervisory policy, covering the introduction of new approaches in the financial sector, and this relates directly to several of the proposals for new approaches that the market participants submitted to Finantsinspektsioon. “We are trying to use our new policy to support better the introduction of possible new approaches, reflecting this better in our own working processes, especially where entry to the market depends on the assessment of the financial supervisor of new services and risk controls”, added Mr Nõmm. Information on the initiative can be found on the Finantsinspektsioon website.

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The proposals submitted to Finantsinspektsioon by businesses can be found on the Finantsinspektsioon website. Finantsinspektsioon forwarded the proposals of the companies to the Ministry of Finance.