
International cooperation

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

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

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

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

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

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

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

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

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

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

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

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