



European Bank
for Reconstruction and Development

SECURITIES MARKETS LEGISLATION ASSESSMENT PROJECT

2007 ASSESSMENT

based on legislation in force on 1 June 2007

ESTONIA

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2007 ASSESSMENT: GENERAL INFORMATION

In Estonia the basic legislation on the securities market is comprised by the Securities Market Act (enacted on 17 October 2001 and lastly amended on 1 January 2007) setting forth the regulatory framework for the operation of the Estonian Securities Market, *inter alia* regulating provision of investment services, regulated market and stock exchange, initial public offering of securities, settlement of transaction with securities and other relevant matters; the Investment Fund Act (enacted on 1 May 2004 and lastly amended on 1 January 2007) stipulating requirements regarding collective investment schemes; the Financial Supervision Authority Act (enacted on 1 January 2002 and lastly amended on 1 January 2007) providing legal basis for Financial Supervision Authority activities; the Money Laundering and Terrorism Financing Prevention Act (enacted on 1 July 1999 and lastly amended on 15 March 2007) establishing measures preventing money laundering and terrorism financing; the Credit Institutions Act (enacted on 1 July 1999 and lastly amended on 1 January 2007).

The securities market legal framework was most recently amended in 2007. The latest substantial amendments concern first of all Credit Institutions Act and have been made in order to implement Directives 2006/48/EC and 2006/49/EC of the European Parliament and of the Council based on Basel II accord. The Securities Market Act was lastly amended due to implementation of Directive 2003/71/EC of the European Parliament and of the Council and final harmonisation of Estonian legal system with Directive 2000/12/EC of the European Parliament and Council Directive 93/6/EEC.

The Act Amending Securities Market Act, Financial Supervision Authority Act, Public Accountants Act, Investment Funds Act, Credit Institutions Act, and Commercial Code Act is now being elaborated and is subject to approval by the Ministry of Justice. The Act will bring along essential amendments to the securities market regulation framework and is aiming to implement Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (MiFID). *Inter alia*, the new definition of securities will also embrace certain derivative contracts, which are currently not considered securities under the valid legal framework.

The securities market regulator is the Financial Supervision Authority (an agency of the Bank of Estonia), which is competent for supervision of securities market operation, investment firms, credit institutions, collective investment schemes activities, insurance, pension funds. Tallinn Stock Exchange is also partly involved in supervision over securities market operations in respect to issues related to the securities traded therein.

There is one regulated securities market in Estonia, the Tallinn Stock Exchange. In 2006, the capitalisation of the market was 2,960,865,165.60 EUR while the number of listed companies was 15 (fifteen). Clearing and settlement of securities is performed by the Estonian Central Register of Securities.

There is one SRO in Estonia, the Tallinn Stock Exchange.

There are 40 CIS in Estonia.

2007 ASSESSMENT CHECKLIST FOR SECURITIES MARKET LEGISLATION

Section I – Basic Information about Securities Market Related Laws and Regulations

#	Official Title of Law/Regulation (in English)	Promulgating Authority	Date of Promulgation	Dates of Past Amendments
1.	Securities Market Act (SMA)	The Parliament	17 October 2001	22 April 2004 9 February 2005 15 June 2005 19 October 2005
1.1	Regulation No 4	Minister of Finance	9 January 2006	-
1.2	Regulation No 90	Minister of Finance	27 December 2005	-
1.3	Regulation No 9	Minister of Finance	14 January 2002	-
1.4	Regulation No 43	Minister of Finance	10 June 2005	-
1.5	Regulation No 102	Minister of Finance	15 August 2002	-
1.6	Regulation No 140	Minister of Finance	27 December 2001	-
1.7	Regulation No 33	Minister of Finance	16 March 2004	17 April 2006
1.8	Regulation No 93	Minister of Finance	16 October 2003	27 June 2004 07 July 2004 23 December 2005
1.9	Regulation No 20	Minister of Finance	21 January 2002	-
1.10	Regulation No 84	Minister of Finance	14 August 2003	-
1.11	Regulation No 113	Minister of Finance	27 December 2002	-
1.12	Regulation No 14	Minister of Finance	21 January 2002	13 June 2005 06 January 2006
1.13	Regulation No 71	Minister of Finance	28 May 2002	-
1.14	Regulation No 18	Minister of Finance	18 January 2002	-

#	Official Title of Law/Regulation (in English)	Promulgating Authority	Date of Promulgation	Dates of Past Amendments
2.	Credit Institutions Act (CIA)	The Parliament	9 February 1999	15 June 2005 19 October 2005 31 May 2006 14 December 2006
2.1	Regulation No 11	President of the Bank of Estonia	24 April 1997	30 June 1998
2.2	Regulation No 24	President of the Bank of Estonia	15 October 1999	20 December 2001
2.3	Regulation No 13	President of the Bank of Estonia	29 December 2006	-
2.4	Regulation No 9	President of the Bank of Estonia	27 June 2000	17 May 2005
2.5	Regulation No 9	President of the Bank of Estonia	07 November 2006	23 April 2007
2.6	Regulation No 1	President of the Bank of Estonia	10 January 2002	31 October 2002 13 May 2004 19 January 2005 07 November 2006
2.7	Regulation No 2	President of the Bank of Estonia	14 May 2001	01 July 2002
2.8	Regulation No 9	President of the Bank of Estonia	09 October 2003	17 May 2005
2.9	Regulation No 13	President of the Bank of Estonia	03 December 2003	30 December 2004
2.10	Regulation No 13	President of the Bank of Estonia	11 July 2002	21 November 2003
2.11	Regulation No15	President of the Bank of Estonia	20 December 2002	-

#	Official Title of Law/Regulation (in English)	Promulgating Authority	Date of Promulgation	Dates of Past Amendments
2.12	Regulation No 1	President of the Bank of Estonia	25 January 2005	17 May 2005
2.13	Regulation No 9	President of the Bank of Estonia	16 May 2005	-
2.14	Regulation No 4	President of the Bank of Estonia	7 March 2005	-
2.15	Regulation No 9	President of the Bank of Estonia	9 October 2003	17 May 2005
2.16	Regulation No 15	President of the Bank of Estonia	20 September 2002	-
2.17	Regulation No 10	President of the Bank of Estonia	14 May 1999	20 December 2001
3.	Investment Funds Act (IFA)	The Parliament	14 April 2004	8 December 2004 19 October 2005 22 November 2006
3.1	Regulation No 127	Minister of Finance	26 July 2004	-
3.2	Regulation No 73	Minister of Finance	19 November 1997	-
3.3	Regulation No 50	Minister of Finance	02 July 1998	24 April 2003
3.4	Regulation No 33	Minister of Finance	29 April 1998	14 January 2002 28 January 2004 07 January 2005
3.5	Regulation No 73	Minister of Finance	11 June 2003	-
3.6	Regulation No 10	Minister of Finance	25 January 2005	-
3.7	Regulation No 46	Minister of Finance	13 June 2005	-
3.8	Regulation No 11	Minister of Finance	25 January 2005	-
3.9	Regulation No 137	Minister of Finance	13 September 2004	-
3.10	Regulation No 4	Minister of Finance	07 January 2005	-

#	Official Title of Law/Regulation (in English)	Promulgating Authority	Date of Promulgation	Dates of Past Amendments
3.11	Regulation No 133	Minister of Finance	30 August 2004	-
3.12	Regulation No 38	Minister of Finance	19 May 2005	-
4.	Financial Supervision Authority Act (FSA Act)	The Parliament	9 May 2001	9 February 2005 19 October 2005 22 November 2006 14 December 2006
4.1	Regulation No 86	Minister of Finance	08 October 2001	-
5.	Money Laundering and Terrorism Prevention Act	The Parliament	25 November 1998	19 October 2005 20 April 2006 13 December 2006 24 January 2007
5.1	Regulation No 61	Minister of Finance	05 September 2005	-
5.2	Regulation No 18	Minister of Internal Affairs	11 March 2004	-
5.3	Regulation No 66	Minister of Internal Affairs	30 June 1999	-
6.	Public Accountants Act	The Parliament	10 February 1999	5 June 2002 12 June 2002 19 June 2002 11 February 2003
6.1	Regulation No 50	Minister of Finance	15 June 2000	-
6.2	Regulation No 70	Minister of Finance	06 October 1999	-
6.3	Regulation No 10	Minister of Finance	27 January 2000	-
6.4	Regulation No 39	Minister of Finance	17 June 2000	-

Section II – Identity of the Relevant Market Regulatory Authorities (Statutory and Non-statutory) by Activities Regulated

#	Activities Regulated	Name of the Relevant Regulator	Date of Establishment	Legal Basis
1.	Securities issuance and offering ¹	Financial Supervision Authority (FSA);	1 January 2002	Financial Supervision Authority Act and SMA
		Tallinn Stock Exchange (TSE) in case of TSE listed securities	April 1995	SMA and Rules and Regulations of TSE
2.	Change of control transactions ²	FSA in case of market-traded securities;	1 January 2002	SMA
		Competition Board	21 October 1993	Competition Law Act
3.	Securities markets ³	FSA	1 January 2002	SMA
4.	Brokerage or dealing related activities ⁴			SMA
5.	Fund (or portfolio) and asset management (including investment advisers, asset managers, etc.)			SMA and Investment Fund Act
6.	Collective investment schemes			Investment Fund Act
7.	Accounting and auditing standards/services	Management Board of the Board of Auditors	1999	Authorised Public Accountants Act
8.	Investment services providers	FSA	1 January 2002	SMA
9.	Money Laundering (i.e., FIU – Financial Intelligence Unit)	Financial Intelligence Unit	1 July 1999	Money Laundering and Terrorism Financing Prevention Act

¹ Including prospectus and disclosure requirements, share registrations, tender offers, shareholder rights, beneficial ownership reporting, etc.

² e.g., mergers, take-overs, monopoly positions, and other transactions affecting control in a company.

³ e.g., including establishment of exchanges and trading systems, admission to listing, trading, clearing and settlement, depository, etc.

⁴ e.g., including licensing, conduct of business requirements, prudential requirements, etc.

#	Activities Regulated	Name of the Relevant Regulator	Date of Establishment	Legal Basis
		FSA	1 January 2002	Money Laundering and Terrorism Financing Prevention Act

Section A – Regulator⁵

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
RESPONSIBILITIES OF THE REGULATOR					
1.	Whether the regulator responsibilities, powers and authority are clearly defined in the law?	✓		FSA Act Article 6	1
2.	Whether the regulator has discretion to interpret its responsibilities based on clear and transparent criteria and process so to prevent abuse of discretion?	✓		FSA Act Article 6 (1) p 8: FSA is entitled to perform such rights as to assure the purpose of supervision (stipulated in FSA Act Art 3)	1
INDEPENDENCE OF THE REGULATOR					
3.	Whether the term of office, the procedures for appointment and removal and the criteria for removal of the head and members of the governing body of the regulator are specified under the relevant law?	✓		FSA Act Art 8 (FSA Supervisory Board appointment); FSA Act Art 11 (FSA Supervisory Board removal); FSA Act Art 12 (chairman of FSA Supervisory Board) FSA Act Art 19 (appointment of the Management Board of FSA); FSA Act Art 22 (removal of the Management Board of FSA)	2
4.	Whether the operational independence of the regulator is assured by the law from external political, commercial, or other interest interference when exercising its respective functions and powers?	✓		FSA Act Art 4(1): The Financial Supervision Authority (hereinafter the Supervision Authority) is an agency with autonomous competence and a separate budget, which operates at the Bank of	2

⁵ Please answer the questions of this section considering the regulator (see Section II, above) in charge for: Securities issuance and offering; Securities markets; Brokerage or dealing related activities and Collective investment schemes

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				Estonia [...]; FSA Act Art 4(3): The Supervision Authority is independent in the conduct of financial supervision; FSA Act Art 32: avoiding conflicts of interest; FSA Act Art 35: Sources of financing	
5.	Whether the law provides legal protection (for <i>bona fide</i> actions only) to the regulator, the head and members of the governing body and its staff against lawsuits for actions taken in their functions?		✓	The FSA is liable for the damage incurred in course of the misdemeanour procedure only in case the criminal offence was committed by the FSA in the course of proceedings (State Liability Act Art 15 (2) p 2. In case the damage was incurred in course of administrative proceeding by the unlawful activities of FSA compensation may be claimed if damage could not be prevented and cannot be eliminated by the protection or restoration of rights (State Liability Act Art 14 (1)). Lawsuits may not be initiated directly against members of FSA.	2-5
ACCOUNTABILITY OF THE REGULATOR					
6.	In the exercise of its regulatory powers, whether the regulator is required by the law to consult with or obtain an approval by the government, ministry or other authorities? [<i>Please specify the cases and the authority</i>]		✓	FSA is not required to consult with any authorities.	2
7.	If the answer to the above question is "yes" (if "no" in the above, please tick "no" in the following sub-questions):				2
	(1) whether the circumstances in which consultation or approval is required are clearly defined and the relevant process is sufficiently transparent? [<i>If "yes", please briefly describe the process</i>]		✓		

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(2) whether the circumstances where consultation or approval is required are limited to policy issues and not to day-to-day technical matters?		✓		
8.	Is the regulator accountable to the Parliament or another government body on an ongoing basis? <i>[Please explain]</i>		✓	FSA is not accountable to any government body	2
9.	Are the regulator and the other parties to which the regulator is accountable required by the law to treat as confidential information received as part of the supervisory process and only to disclose information in certain defined circumstances?	✓		FSA Act Art 54	2
10.	Is the regulator's receipt and use of funds subject to review or audit?	✓		FSA Act Art 51 (3)	2
11.	Does the regulator have to provide written reasons for its material decisions?	✓		FSA Act Art 6 (3) and Administrative Procedure Act Art 56	2
12.	Are affected persons permitted to make representations prior to a regulator's decision in appropriate cases?	✓		Administrative Procedure Act Art 40 (1)	2
13.	Are all decisions taken by the regulator subject to a sufficient, independent review process, ultimately including judicial review?	✓		Administrative Procedure Act Art 87, Code of Misdemeanour Procedure Art 114 (1)	2
REGULATOR'S POWERS AND RESOURCES					
14.	Whether the regulator is empowered by the law to receive routine financial reports from regulated entities ⁶ ? If "yes", please identify from whom the regulator receives such routine reports.	✓		SMA Art108 (Investment firm); IFA Art 238 (Collective Investment Scheme); CIA Art 91 (Credit Institutions).	2, 10
15.	Whether the regulator is empowered by the law to inspect a regulated entity business operation without giving prior notice?	✓		SMA Art 232 (3): Yes, if giving prior notice damages attainment of the objectives of the inspection.	8
16.	Whether the regulator is empowered by the law to have access to books and records and request data or information from regulated entities without judicial	✓		FSA is empowered to have access to books and records and request information on a	8

⁶ "Regulated entity" includes authorised or licensed entities or persons

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	actions, even in absence of suspected misconduct, in response to (i) a particular inquiry? (ii) on a routine basis? [<i>please specify</i>]			routine basis (Administrative Proceedings Act Art 35 (1) p.1 and 2 and SMA Art 231 p 1)	
17.	Does the regulator have the investigative and enforcement power to require from any persons involved in relevant conduct of who may have information relevant to a regulatory or enforcement investigation:				9
	(a) data?	✓		SMA Art 231 (1) and (2)	
	(b) information?	✓		SMA Art 231 (1) and (2)	
	(c) documents?	✓		SMA Art 231 (1) and (2)	
	(d) records?	✓		SMA Art 231 (1) and (2)	
	(e) statements or testimony?	✓		SMA Art 231 (1 ²)	
18.	Whether, under the law or regulation, the regulator has the power to impose administrative sanctions? If "yes", please briefly describe the kinds of sanctions that can be imposed. If "no", please briefly describe what the regulator can do in case of non-compliance with laws.	✓		In the course of the administrative proceedings FSA is has the power to issue precepts, <i>inter alia</i> to prohibit certain transactions and payments, to require publication of information if so required by the law, to suspend public offering of securities etc (SMA Art 36, 235 etc.). FSA is also entitled to impose penalty payment in amount of up to EEK 18,000 (approximately EUR 1,150) in case of a natural person and up to 50,000 (approximately EUR 3,195) in case of a legal person for initial non-compliance with the precept and in total up to EEK 50,000 (approximately EUR 3,195) in case of a natural person and up to EEK 500,000 (approximately EUR 31,950) in case of a legal person for each subsequent occasion	9

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				(SMA Art 234 ¹).	
19.	Whether, under the law or regulation, the regulator has the power to order suspension of trading in securities?	✓		SMA Art 36	9
20.	Whether, under the law or regulation, the regulator has the power to initiate or refer matters for criminal prosecution?		✓	The FSA is not vested the power to initiate the criminal proceedings and has to refer matter to the Public Prosecuting Authority. However, the FSA is entitled to initiate and to proceed the misdemeanour cases and impose relevant sanctions (SMA Art 237 ¹ - 237 ³⁶)	9
21.	Whether the regulator is assured by the law and/or regulation to have sufficient financial and other resources to properly discharge its functions? ⁷ If "no", please indicate the areas of insufficiency. [<i>Please also specify if the regulator's budget is taken from the state budget or from the market</i>]	✓		FSA financial resources derive from: 1. supervision fee payable on a regular basis by subjects to supervision and 2. proceeding fee payable by the person applying for certain action by FSA or review of application.	2
CLEAR AND EQUITABLE PROCEDURES					
22.	Whether the regulator has the power to issue legally binding rules and regulations? If yes, is the regulator obliged to make all rules and regulations available to the public?		✓	The FSA is not entitled to issue legal acts of general application.	4
23.	Whether the law or regulation sets forth the general criteria for granting, suspending or revoking licenses?	✓		The Estonian law does not set forth the general criteria for granting, suspending or revoking of licences. The relevant framework of rules is stipulated specifically for each supervision	4

⁷ The points of consideration in financial aspect should include: competitive salary scales, ability to hire external experts if necessary, training budget and programme, information technology equipment, and travel budget, etc.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				subject (e.g. SMA Chapter 8 in case of investment firm)	
24.	Whether the regulator is required by the law or regulation to publicly disclose and explain its policies in important operational areas, such as through interpretations of regulatory actions, settings of standards, or issuance of opinions stating the reasons for regulatory actions?		✓	No such requirement is imposed.	4
PROFESSIONAL STANDARDS					
25.	Whether the staff of the regulator is required by law, regulation or other, [please explain] to observe a "Code of Conduct" or other written standards/guidance of the same nature in exercising their regulatory powers and discharging their functions?	✓		The internal Code of Ethics is established by FSA. Additionally, certain requirements are imposed on the employees by the FSA Act (3 rd Chapter)	5
26.	If the answer to the above question is "yes", whether the relevant "Code of Conduct" addresses issues in the following areas:				
	(1) conflicts of interest?	✓		Code of Ethics Articles 13, 14, 15 and FSA Act Art 32	5
	(2) dealing with information obtained in the course of the exercise of powers and discharge of duties?	✓		Code of Ethics Art 12	
	(3) observance of confidentiality and secrecy provisions and protection of personal data?	✓		FSA Act Art 34, FSA Act Art 54 (general obligation of FSA, not imposed specifically on the employees)	
	(4) ensuring procedural fairness?	✓		Code of Ethics Art 10	
(5) restriction on the holding or trading of securities and requirement to disclose financial affairs or interest.	✓		Code of Ethics Art 18,19		
27.	Whether there are legal or other sanctions against the staff of the regulator who fails to adhere to the above mentioned "Code of Conduct"?	✓		Disciplinary proceeding may be initiated against and disciplinary penalty may be imposed on the employee failing to adhere to the Code of Ethics (Code of Ethics Art	5

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				4(3))	
COOPERATION AMONG REGULATORS					
28.	If there is more than one regulator listed in Section II above, whether the division of the responsibility among regulators are clearly and objectively set out by law?	✓		<p>The responsibility of the FSA and TSE coincide in regard of supervision over activity of issuers arising from:</p> <ul style="list-style-type: none"> - listing requirements in the course of the listing procedure; - the requirements for listing particulars; - the requirements for issuers, - the requirements for trade and admitting for trading on a regulated market (Free Market). (Rules and Regulations of TSE, Supervision, Art 2.1.2) <p>The Management Board of the Board of Auditors performs supervision exclusively over activity of auditors not subject to supervision by FSA.</p>	1
29.	If there is more than one regulator listed in Section II, whether they are required by the law to co-operate and share information with each other?	✓		SMA Art 149	1
30.	Whether the regulator has the authority under the law to share information with regulators in foreign jurisdictions? <i>[please specify with which countries]</i>	✓		<p>FSA Act Art 47 (4).</p> <p>The law does not specify, regulators of what countries are entitled to acquire information from FSA, therefore, any regulator complying with the requirements set forth by FSA Act shall be entitled thereto.</p>	11
31.	Whether the regulator is permitted by the law to provide assistance to regulators in foreign jurisdictions? <i>[please specify with which countries]</i>	✓		<p>FSA Act Art 47 (7)-(9), Art 47¹.</p> <p>The law does not specify, regulators of what</p>	13

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				countries are entitled to assistance from FSA, therefore, any regulator complying with the requirements set forth by FSA Act shall be entitled thereto.	

Section B – Self-regulation ("SROs")⁸

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
PERFORMANCE AND FUNCTIONS OF SRO					
1.	Are there any organisations in your country, that:				6
	a) establish rules of eligibility that must be satisfied in order for individuals or firms to participate in any significant securities activity?	✓		Tallinn Stock Exchange: SMA Art 127 (1) p 5	
	b) establish and enforce binding rules of trading or business conduct for individuals or firms engaging in securities activities?	✓		Tallinn Stock Exchange: SMA Art 126, 127; Estonian Central Register of Securities Act Art 8 (3); Procedure for maintenance of the register established by the Minister of Finance Art 2 (1); Data Processing Rules of the Estonian Central Register of Securities; Rules and Regulations of Tallinn Stock Exchange	
	c) establish disciplinary rules and/or conduct disciplinary proceedings, which have the potential to impose enforceable fines, or other penalties, or to bar or suspend a legal or natural person from participating in securities activities or professional activities related to securities activities?	✓		Tallinn Stock Exchange: SMA Art 127 (2) 5), 9), 10),	

⁸ A self-regulatory organisation (SRO) is any organisation that has been given the power or responsibility to regulate any part of the securities market of industry. The term "self-regulatory organisation" means any national securities exchange, registered securities association, or registered clearing agency, which have been granted the right to regulate themselves and enforce such regulation. This section applies to all SROs in your country – i.e. stock exchange, central depository to the extent that they fit within the SRO definition]

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
AUTHORISATION OR DELEGATION SUBJECT TO OVERSIGHT					
2.	Whether, as a condition of ongoing authorisation, the regulatory framework requires SROs to:				7
	(1) have the necessary capacity to enforce compliance by its members and associated persons with laws, regulations and rules?	✓		SMA Art 122 (1) p 3 and SMA Art 126 (1)	
	(2) treat all members of the SRO and applicants for membership in a fair and consistent manner?	✓		SMA Art 132	
	(3) develop rules that (i) are designed to set standards for its members and (ii) to promote investor protection?	✓		SMA Art 127 and 153	
	(4) submit to the regulator its rules and any amendments thereto for review and/or approval?	✓		SMA Art 121(2) and 129 (2)	
	(5) co-operate with the regulator and other SROs in your jurisdiction to investigate and enforce applicable laws, regulations and rules?	✓		SMA Art 149	
	(6) enforce its own rules and impose appropriate sanctions for non-compliance with its own rules?	✓		SMA Art 160, 161	
	(7) assure fair representation of members on its board of directors and administration of its affairs?		✓	Such representation is not required	
(8) assure that its rules do not create anti-competitive situations?		✓	There are no such requirements		
OVERSIGHT					
3.	Whether the regulator is required by the law or regulation to establish a programme/procedure/process to oversee the operations of SROs (including inspections, periodic reviews, reporting requirements, review/revocation of SRO rules, monitoring of continuing compliance with conditions of authorisation)?	✓		FSA performs supervision over SRO on general grounds	7
4.	In matters related to SRO responsibility, whether the regulator retains authority to (i) inquire and (ii) intervene into matters affecting investors or the market?	✓		FSA retains all rights granted thereto by the law.	7

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
MISUSE OF INFORMATION AND CONFLICT OF INTERESTS					
5.	Does the law or regulation requires SROs to:				7
	(1) ensure that potential conflicts of interest at the SRO are avoided and resolved?		✓	This issue is not directly regulated by the Estonian law	
	(2) address prevention of misuse of information and observance of confidentiality of information?	✓		This issue is not directly regulated, however, the relevant obligation may be derived from SMA Art 148, pursuant to which an operator shall exercise supervision over the market with respect to the price formation of securities traded on the market and the conducting and execution of transactions for the purpose of detecting and reducing transactions conducted on the basis of inside information, market manipulation and other violations of law.	

Section C – Issuers and their Information-Disclosure Obligation

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
CONTENT OF THE PROSPECTUS					
1.	In a public offering of securities ⁹ , whether issuers are required to:				14
	(i) prepare a prospectus (or an information document of similar nature)	✓		SMA Art 14 ¹	
	(ii) distribute it, and	✓		SMA Art 15, unless stipulated otherwise in SMA Art 17	
	(iii) file the prospectus with the regulator/stock exchange for review/approval [Please specify]	✓		SMA Art 16 (to be submitted to FSA for approval) and Listing Rules of TSE 4.1 (to be submitted to TSE for review).	
2.	Whether the prospectus is required to include information on:				IOSCO – International Disclosure standards for cross-border offerings and Initial listings by foreign issuers
	(i) key financial information, including capitalisation and indebtedness of the issuer and reason for the offer and use of proceeds and risk factors [please specify if all or just some of these issues are included]	✓		EC Regulation 809/2004. All of the named issues have to be included.	
	(ii) the company, including history and development of the company, business overview, organisational structure, property, plants and equipment [please specify if all or just some of these issues are included]	✓		EC Regulation 809/2004. All of the named issues have to be included.	
	(iii) operating and financial review and prospects, including operating results, liquidity and capital resources, research and development, patents and licenses. [please specify if all or just some of these issues are included]	✓		EC Regulation 809/2004. All of the named issues have to be included.	
	(iv) directors, senior management and employees, including compensation of directors, board practices, number of employees and share ownership [please specify if all or just some of these issues are included]	✓		EC Regulation 809/2004. All of the named issues have to be included.	
	(v) major shareholders and related party transactions	✓		EC Regulation 809/2004. Both of the named issues have to be included.	

⁹ The term Public Offering of Securities refers to the issuance and/or sale of the securities to the public.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(vi) the identity and holdings of persons who hold a substantial beneficial ownership interest in the company	✓ (to the extent known to the issuer)		There are no specific requirements on disclosure of beneficial ownership and it is disclosed based on general principles if constituting a qualified holding. The persons subject to disclosure obligations are persons who directly or indirectly, whether individually or together with persons acting in concert, acquire a qualifying holding in a company. Therefore, the need for disclosure of identity of a beneficial owner may arise, where he acquires shares in concert with other related persons. EC Regulation 809/2004 and SMA Art 185.	
FOREIGN ISSUERS					
3.	Whether a foreign issuer is required to disclose additional information in the prospectus? If "yes", please briefly describe		✓	There is no such requirement	14
4.	Whether a foreign issuer is allowed to use a prospectus which has been approved by a foreign regulator? If "yes", please briefly describe	✓		In case of EEA contracting state registered issuer the following documents are to be presented to FSA (SMA Art 16) - the registration certificate of the prospectus stating that the prospectus is in compliance with EU legal acts; - a transcript of the prospectus; - a translation of the summary of the prospectus into Estonian. In case of an issuer registered in any other state, the following documents shall be additionally required (SMA Art 37)	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<ul style="list-style-type: none"> - a copy of the audited annual report of the issuer for the previous economic year translated into Estonian; - a prospectus translated into Estonian; - an agreement with a professional securities market participant located in Estonia to carry out the issue; - a description of the terms and conditions of the offer of securities. 	
FULL DISCLOSURE					
5.	Whether there are different disclosure requirements for different types of securities or according to the different circumstances in which securities are offered? If "yes", please briefly describe	✓		EC Regulation 809/2004 contains different annexes stipulating different disclosure requirements depending on the type of securities to be offered and on denomination thereof.	14
6.	In addition to public offering of equity, whether prospectus requirements also apply to other types of public offerings (e.g., debt securities, warrants, preemptive rights offering to existing shareholders, etc.)? Please specify.	✓		SMA Art 14 ¹ stipulates the general obligation to prepare a prospectus in case of public offering of securities irrespective of the type of securities.	14
7.	Whether there are any restrictions on, or disclosure requirements with regard to, the content of information that an issuer discloses outside the prospectus during an offering (e.g., in advertisement, "road-show" materials or on the issuer's web-site)?	✓		<p>SMA Art 31 stipulate general requirement that such information to be understandable, unambiguous and shall ensure clear and easy understanding of all conditions of the services being offered, in particular the actual interest rate, all other service-related costs and the terms of payment.</p> <p>Marketing materials must contain information about places where the prospectus is made public and can be obtained.</p>	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				All information disclosed must be included in the prospectus or supplement thereto.	
8.	If the answer to the above question is "yes", whether any such restrictions or requirements extend to those acting on behalf of the issuer in connection with the offering (e.g., underwriters or advisors)?	✓		Each person, <i>inter alia</i> advisors and underwriters, disclosing information with regard to the offering is obliged to comply with the afore-mentioned requirement (SMA Art 31).	14
LIABILITY					
9.	Whether the issuer is liable for the content of the prospectus? If "yes", please describe if there are any exceptions provided for under the law.	✓		SMA Art 25: The issuer and the offeror shall be liable for the difference between content of the prospectus and the actual situation provided that the issuer or offeror was or should have been aware of difference. In case the prospectus is incomplete due to the omission of relevant facts, the issuer/offeror will be liable provided that the incompleteness of the prospectus results from the issuer or the offeror hiding the facts. SMA Art 26: The issuer/offeror is released from the obligation to compensate for any other damage if he repurchases the share acquired relying on the information provided in the prospectus.	14
10.	Other than the issuer, whether there are any other persons/entities that may be held liable for the content of the prospectus (e.g., underwriter, auditor)? If "yes", please describe.	✓		The auditor may be held liable based on the Authorised Public Accountants Act Art 40. The auditor will be liable for any damage wrongfully caused to a client or a third party as a result of violation of an obligation	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>arising from the professional activities of the auditor or the firm of auditors.</p> <p>Any agreement on the restriction of liability of an auditor is void. The underwriter may be held liable for the content of the prospectus in case it also provides investment recommendations to the investors (SMA Art 188¹⁸ etc)</p>	
DEROGATIONS					
11.	Whether there are circumstances where an issuer is permitted to proceed with a public offering without full disclosure of relevant information? If "yes", please briefly describe.		✓	There are no such circumstances, unless the legal acts allow to carry out the public offering without publishing the prospectus in its entirety (SMA Art 17)	14
REGULATOR'S POWERS					
12.	Whether the regulator has the power to enforce prospectus and/or other listing documents disclosure requirements by delaying or stopping the offering or through other regulatory actions? If "yes", please briefly describe the nature of these actions (e.g., civil, administrative or criminal) and indicate whether these actions if taken are with immediate effect (e.g., trading halt or injunction).	✓		<p>SMA Art 36: FSA is entitled to suspend the offering, which shall be invalidated if not resumed within 10 days.</p> <p>Precepts may be issued with this regard and administrative penalty payment may be imposed on the addressee of the precept (SMA Art 235 and 234¹).</p> <p>Additionally, penalty may be imposed in the course of misdemeanour proceeding (SMA Art 237⁴).</p>	9, 14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
OTHER LISTING DOCUMENTS					
13.	Apart from the prospectus, are issuers required to prepare or distribute documents for listing purposes? (e.g., listing particulars ¹⁰ or a document of similar nature)?	✓		A summary of the prospectus is to be prepared (SMA Art 14 ¹ (3).	14
14.	Does the regulator have the power to enforce listing document disclosure requirements by delaying or refusing a listing?	✓		There is no direct basis, however, such power may be derived from SMA Art 235 p 1 entitling FSA to prohibit certain actions and transactions and p 8 granting the FSA power to submit other requirements to assure compliance with SMA	14
ONGOING DISCLOSURE REQUIREMENTS					
15.	Whether open/public/listed/admitted to trading companies [<i>please specify</i>] are required to prepare annual reports and/or periodic reports, under a certain timeframe? Please specify.	✓		Listed companies are required to prepare annual reports and interim reports (for each 3, 6, 9 and 12 months period). TSE Requirements for Issuers, Art 5.4.1	14
16.	If the answer to the above question is "yes", whether the annual and the periodic reports are made available to the public? If yes, please explain how they are distributed.	✓		The reports are published on the website of the TSE (TSE Requirements for Issuers, Art 5.1.7.) The annual report has also to be available at the seat of the issuer (TSE Requirements for Issuers, Art 5.3.3.)	14
17.	Whether issuers are required to file the annual and periodic reports with the regulator for review/approval?	✓		The annual and periodic reports are to be filed with the FSA for review (SMA Art 135 (4))	14
18.	Whether the regulator has the power to enforce the disclosure requirements of	✓		The precept may be issued by the FSA with this regard and the penalty payment may be	14

¹⁰ Listing particulars: details which a company is obliged to publish about itself together with any securities it issues before it obtains a listing on a recognised stock exchange.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	the reports? If yes, please describe the available actions.			imposed (SMA Art 235 p 3 and 234 ¹).	
19.	Whether the issuer is liable for the content of the reports? If "yes", please describe if there are any exceptions provided for under the law	✓		SMA Art 237 ⁸ : the penalty may be imposed in case of submission of incorrect or deficient information	14
20.	Other than the issuer, whether there are any other persons/entities which may be held liable for the content of the annual/periodic reports (e.g., auditor)? If "yes", please describe.	✓		The Authorised Public Accountants Act Art 40: the auditor will be liable for any damage wrongfully caused to a client or a third party as a result of violation of an obligation arising from the professional activities of the auditor or the firm of auditors. Any agreement on the restriction of liability of an auditor is void.	14
21.	Whether issuers are subject to a general and continuing obligation to disclose promptly any material information that would significantly affect the price of their securities? If "yes", please describe whether such requirement varies according to types of issuers.	✓		TSE Requirements for Issuers, Art 1.2.2. This requirement does not vary according to the type of issuers.	14
22.	Whether there are circumstances where an issuer is permitted to derogate from its disclosure obligations (e.g., confidentiality)?	✓		TSE Requirements for Issuers, Art 2.1.4.: if such information contains the Issuer's business secrets or that disclosure may otherwise damage the interests of the Issuer, the Issuer may apply to the Exchange not to disclose such information.	14
FAIR AND EQUITABLE TREATMENT OF SHAREHOLDERS					
23.	Whether the relevant law or regulation stipulates the right of fair and equitable treatment of shareholders?	✓		TSE Requirements for Issuers, Art 3.5.1.	15
24.	Whether issuers are required to disclose information to shareholders in order to help them make voting decisions? If "yes", please briefly describe the types of voting decisions that would trigger such disclosure requirement.	✓		The issuer is required to disclose certain information to the shareholders in order to facilitate adoption of voting decisions in cases of increase and decrease of the share capital (TSE Requirements for Issuers Art	15

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				7.4, 7.5), merger (TSE Requirements for Issuers Art 7.14), resolving dividend payment (Art 7.3.), approval of related party transactions (Art 7.9.3.), approval of essential assets disposal (Art 7.13.4), granting share options to employees and management (Art 7.18.3).	
25.	Whether investors have the right to petition the regulator? If "yes", please indicate the grounds based upon which a petition can be made.		✓	There is no such basis	15
26.	Whether minority shareholders have the right to appoint an auditor to re-examine the books and accounts of the company? If yes, please specify the minority shareholding percentage requirement and other specific conditions and whether the shareholder or the company must pay for this audit	✓		Shareholders holding at least 10% of the shares of the company may demand from the general meeting or, should the general meeting deny such request, from the court appointment of an auditor in order to examine books and accounts of the company. The general meeting appointing the auditor shall resolve on payment terms (Commercial Code Art 330)	15
27.	Whether shareholders of a company have the right to start derivative suit (i.e., in the name of the company) against the directors of the company? If "yes", please indicate the shareholding percentage requirement, if any, for exercising such right.		✓	There is no such right.	15
28.	Whether shareholders of a company have the right to request an extraordinary general meeting of shareholders to be held? If "yes", please indicate the shareholding percentage requirement, if any, for exercising such right.	✓		Shareholders holding at least 10% of the shares of the company may demand convocation of an extraordinary general meeting (Commercial Code art 292 (1) p2)	15
29.	Whether beneficial shareholders are required to publicly disclose their ownership and identity in specific circumstances? If yes, please specify the circumstances and the disclosure procedures	✓		There are no specific requirements in this respect and beneficial owners are required to disclose their identity on the same grounds with persons holding essential interest in the issuer (SMA Art 185)	15

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				Pursuant to SMA Art 185 the persons subject to disclosure obligations are persons who directly or indirectly, whether individually or together with persons acting in concert, acquire a qualifying holding in a company. Therefore, the need for disclosure of identity of a beneficial owner may arise, where he acquires shares in concert with other related persons.	
30.	Whether the shareholders who are required to disclose their identity and ownership position due to their shareholding percentage have an on-going obligation to report changes in their shareholding? If "yes", please indicate how significant the change has to be to trigger such reporting obligation.	✓		SMA Art 185: such shareholders are required to report changes in the ownership if increasing the number of votes owned to more than 1/10, 1/5, 1/3, 1/2 or 2/3 of all the votes represented by shares of the public limited company. The shareholder is also required to report changes in the ownership if number of votes owned by him falls below one of the rates specified above.	15
CHANGE IN CORPORATE CONTROL					
31.	Does the relevant law or regulation provide for the circumstances in which a mandatory tender offer must be made? If "yes", please describe the circumstances.	✓		SMA Art 166: a person who has gained dominant influence over the target issuer either directly or together with other persons acting in concert is required to make a takeover bid for all shares of the target issuer	15
32.	Whether public/open/listed/admitted to trading companies are required to disclose adequate information in connection with a change in corporate control (e.g., take-over etc.) to enable minority shareholders to assess the offer?	✓		SMA Art 170 (2)	15
33.	Does the regulatory framework provide minority shareholders with the opportunity to vote eventual manoeuvres (e.g., poison pills) made up by the management to resist the tender offer?		✓	28.05.2002 Regulation of the Minister of Finance No 71 Art 22	15

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				The Regulation sets forth an express prohibition on certain inappropriate protection measures aimed to frustrate the tender offer.	
34.	In connection with a proposed transaction involving the company, whether the directors or other members of senior management of a company are required to disclose compensation or personal benefits that they may receive?	✓		28 .05.2002 Regulation of the Minister of Finance No 71 Art 21 (2) p 6	15
35.	Does the regulatory framework provide minority shareholders with the concrete opportunity to sell their shares to the bidder at the same conditions as the controlling shareholder?	✓		SMA Art 166 and 28 .05.2002 Regulation of the Minister of Finance No 71 Art 2	15

Section D – Collective Investment Schemes (CISs)¹¹

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
1.	Does your country have a specific legislation on collective investment schemes? <i>Please specify if the regulation is specifically on CIS or instead on other investment funds (e.g., privatisation funds)</i>	✓		Collective Investment Schemes are regulated by the Investment Funds Act (IFA). CIS include, pursuant to IFA pension funds, real estate funds and venture capital funds.	
ENTRY AND ELIGIBILITY CRITERIA					
2.	Whether there are specific standards or requirements set forth in the relevant law or regulation for eligibility ¹² to:				17
	(i) promote and sell a CIS?		✓	Organisation of marketing of the shares or units of the fund is within discretion of CIS operator, requiring a relevant license, as explained below. However, there are no regulation concerning promotion and sale of shares/units, therefore no eligibility criteria are set forth in this respect.	
	(ii) operate a CIS?	✓		IFA Art 12 (1)	

¹¹ CIS includes open-end funds that redeem their shares or units (whether on a continuous basis or periodically), closed-end funds whose shares or units are traded in securities markets, unit investment trusts, contractual models and the European UCITS model. For purposes of this assessment checklist, CIS excludes schemes investing in property/real estate, mortgages or venture capital.

¹² The term “eligibility” is intended to include authorisation, licensing, registration or other preconditions to operating or marketing a CIS.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
3.	Whether the eligibility standards or requirements for licensing or registration of operators of CIS include the following factors:				17
	(1) fitness and propriety of operator (including persons who hold a material interest in the operator)?	✓		IFA Art 14 stipulates list of documents and information to be provided when applying for the license (including information concerning persons holding material interest), based on which the FSA values fitness and propriety of the operator.	
	(2) honesty and integrity?	✓		IFA does not regulate this issue, however, IFA Art 18 (2) requires FSA to value reputation of the applicant for the license. IFA Art 70 also requires the operator to perform its activities in a honest way.	
	(3) competence to carry out the functions and duties of a scheme operator (i.e., human and technical resources)?	✓		IFA Art 18 (1) p 3 (the applicant does not have the necessary resources or experience to operate as a management company of a fund of the corresponding type with success and continuity)	
	(4) financial capacity?	✓		IFA Art 18 (1) p 3 (see above) and IFA Art 18 (1) p 2 (the resources for full payment of the share capital of a public limited company being founded are not proved)	
	(5) capacity to discharge operator-specific powers and duties?	✓		IFA Art 18 (1) p 3 (see above)	
	(6) adequacy of internal management procedures?	✓		IFA Art 18 (1) p 7	
4.	Whether, in assessing eligibility to market or operate a CIS, it is required by the law or regulation to assess the qualifications of key individuals employed by the CIS operator or manager?	✓		IFA Art 18 (1) p 4	17

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance	
5.	If the answer to the above question is "yes", whether the following factors are considered:					17
	(1) educational requirements?	✓		IFA Art 51 (1)		
	(2) fitness and propriety?	✓		IFA Art 51 (1) and IFA Art 53 (1) p 4		
	(3) honesty and integrity?	✓		Key individuals employed by the CIS operator are required to have impeccable business reputation		
	(4) past experience in marketing or operating of CIS?	✓		IFA Art 51 (1)		
	(5) continual professional training?		✓	This issue is not regulated		
6.	Whether CIS operators are required to make public disclosure of the information listed in the preceding questions? Please briefly describe what is the disclosure procedure	✓		Certain information is to be disclosed at the seat of the management company, in its branches and on the webpage of the management company or on the webpage of the group into which the management company belongs or, in the case of a fund the units or shares of which are traded on a regulated market registered in Estonia, on the website of the operator of the market (IFA Art 242 (1)). Operator is also required to report certain information to FSA, which publishes it at its webpage (IFA Art 295)	17	
7.	Whether there are sanctions against unlicensed operation of a CIS? If "yes", please briefly describe.	✓		The public offer of the units of a common fund without registration of the fund rules or prospectuses or without publication of the prospectuses is punishable by a fine (IFA Art 301 (1))	17	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
SUPERVISION AND ONGOING MONITORING					
8.	Whether CIS operators are subject to a general and continuing obligation to report to the regulator or to investors any information regarding material changes in its management or organisation?	✓		IFA Art 295 (1) p 5 and 7 (the relevant information is thereafter disclosed by the FSA)	17
9.	If the answer to the above question is "yes", whether the regulator's approval of these changes is required?	✓		There are no specific requirements, however, the FSA is entitled to perform supervision and issue precepts on general grounds in case the changes made do not comply with the law.	17
10.	Whether there are provisions to prohibit, restrict or disclose conduct likely to give rise to conflicts of interests between a CIS and its operators or their associates or related parties? If "yes", please briefly describe.	✓		IFA Art 70 (1) p 3: a management company is required to refrain from conducting transactions in which the interests of the management company are in conflict with those of a fund managed thereby and of a client (conflict of interests) and, in the event a conflict of interests cannot be avoided, to act in the interests of the fund and the client.	17
11.	Whether there are regulatory means ¹³ available to minimise conflict of interest situations to ensure that any conflicts if they arise do not adversely affect the interests of investors? If "yes", please describe.	✓		Partly, the problem is solved by control over acquisition of essential interest in CIS operator and to prohibit such acquisition if it endangers interests of investors (IFA Art 146 etc). Certain disposal transactions between CIS and its operator or related parties thereof are prohibited (IFA Art 280, 281).	17

¹³ Possible means include direct prohibition of particular transactions under the law, use of a code of conduct, review and/or approval of certain transactions and activities by the regulatory authority, disclosure by the operator, prior approval or ratification of certain transactions by the investors, record keeping by the operator, limitation of the activities of the operator and independent review by a third party, etc.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				The breach of this prohibition will entail liability of the operator but not invalidity of such transactions (IFA Art 283).	
12.	Whether there is an ongoing monitoring of the conduct of CIS operators throughout the life of a CIS (including compliance with licensing or registration requirements)? If "yes", please briefly describe the monitoring method(s) adopted.	✓		Monitoring of the conduct of CIS operators is performed by means of general supervision and in case of non-compliance thereof with licensing requirements the license may be revoked.(IFA Art 22 p 3)	17
13.	Whether the regulator has the power under the law to take actions in the event of suspected or actual breaches or default by CIS operators? If "yes", please briefly describe what actions the regulator can take.	✓		FSA may revoke operator license (IFA Art 22 p 5, 7 and others), issue precepts (IFA Art 289, 290), perform on-site inspection (IFA Art 292), appoint audit control (Art 294), impose a fine (Art 302 and others)	17
DELEGATION OF FUNCTIONS					
14.	Whether CIS operators are permitted to delegate their functions to other persons?	✓		IFA Art 73	17
15.	If the delegation by CIS operators of their functions is permissible:				
	(1) whether the regulatory system require the CIS operator to (i) monitor the activity and (ii) evaluate the performance of the delegate?	✓		IFA Art 73 (1) p 6	17
	(2) whether the delegating operator is required to disclose to investors the delegation arrangements and the identity of the delegate?	✓		IFA Art 160 (does not specifically require disclosure of identity, only general notice on delegation)	
	(3) whether the delegating operator will be held responsible for actions or omissions of the delegate as though they were done as its own?	✓		IFA Art 73(5)	
(4) whether the CIS operator can terminate the delegation and make alternative arrangements for the performance of the delegated function, where available?	✓		IFA Art 75 (1)		

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
LEGAL FORM/INVESTORS RIGHTS					
16.	Whether there are requirements as to the legal form and structure of a CIS?	✓		IFA Art 1 (CIS is established either as a pool of assets or as a public limited company (in Estonian: <i>aktsiaselts</i>))	18
17.	Whether the rights of investors to a CIS, the ways to exercise them and the risks associated with the investment are required to be disclosed to investors?	✓		They are required to be disclosed in the fund rules (common fund) or in the articles of association (public limited company, which are publicly available (IFA Art 112, 192 and 242)).	18
18.	Does the regulatory framework provide that where changes are made to investor rights that do not require prior approval from investors, notice is given to (i) investors and to (ii) the regulator before the changes take effect?	✓		(i) IFA Art 117 (2 ²) (ii) IFA Art 117 (2)	18
SEPARATION OF ASSETS					
19.	Whether the operator of a CIS is required to separate and segregate CIS assets from the assets of managers, its related entities and other schemes?	✓		IFA Art 72	18
20.	Whether there are qualification requirements for the entities holding CIS assets? If "yes", please briefly describe.	✓		Assets of CIS are held by a depository, which is a credit institution or an investment firm of a state member to EEA (Contracting State), which, according to the activity licence, has the right to provide safe custody services (IFA Art 92 (2)). A credit institution, an investment firm and a branch of a credit institution or investment firm founded in a Contracting State, which is the depository of an open-ended or public fund shall be entered in the Estonian commercial register.	18
21.	If CIS assets are required to be held in safekeeping on behalf of the investors by a third party, whether it is required that the third party be independent of the	✓		The law requires that the depository acts independently from the operator (but does	18

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	CIS operator? If "yes", please briefly describe such independence requirement.			not require it to be independent, therefore, it may belong to the same group of companies) (IFA Art 94 (3))	
22.	If the custodian and investment functions may be performed by the same legal entity or related entities, whether there are special legal or regulatory safeguards with respect to the CIS assets? If "yes", please briefly describe.	✓		The FSA may issue a precept obliging a management company or a fund founded as a public limited company to change a depositary (IFA Art 104)	18
23.	Whether CIS operators are required to maintain a register of holders of shares or units in the scheme?	✓		IFA Art 120 (2)	18
24.	Whether CIS operators are required to keep all books and records in relation to transactions involving CIS assets and all transactions in CIS shares or units?	✓		Books and records in relation to transactions involving CIS assets are kept pursuant to bookkeeping legislation by the operator in case of the common fund and by the management of the fund in case of the public limited company (IFA Art 237 and Commercial Code Art 306 (4). Transfers of CIS shares or units are registered in the unit registry (common fund) IFA Art 121 or in the Estonian Central Depository of Securities (public limited company).	18
25.	Whether there are auditing requirements in relation to CIS assets?	✓		An auditor audits reports of CIS and submits it to the management company and the FSA, assessing at least the following areas: 1) compliance of the activities of the management company with the requirements provided for in IFA; 2) compliance with the requirements established with regard to own funds; 3) the sufficiency and efficiency of the	18

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				internal audit measures; 4) the security of the information systems of the management company. (IFA Art 240)	
26.	If the answer to the above question is "yes", whether the auditors are required to report to the regulator any irregularities or non-compliance?	✓		IFA Art 241	18
DISCLOSURE					
27.	In making a public offering of a CIS, whether the CIS operator is required to				
	(i) issue an offering document (e.g., a prospectus)?	✓		IFA Art 219 (1) (for requirements applicable to prospectus of CIS established as a public limited company please see Section C above)	19
	(ii) deliver it to investors?	✓		IFA Art 224 (general disclosure); Art 4 (to be delivered to the investor free of charge)	
(iii) deposit it to the regulator and obtain its prior approval?	✓		IFA Art 219 (6) and IFA Art 114 (2) p 3 (the prospectus is to be approved together with fund rules) (for the CIS established as a public limited company please see section C above)		
28.	Whether CIS offering document is required to include the following information:				
	(1) the date of the issue of the offering document?	✓		The date as of which the information presented in the prospectuses derives is to be stated (IFA Art 220 (3))	19
	(2) information concerning the legal constitution of the CIS?	✓		13.9.2004 Regulation of the Minister of Finance No 137 (for the purpose of this Section D the "Regulation") Art 2 p 2	
	(3) the rights of investors in the CIS?	✓		Regulation Art 3	
(4) any pending material legal proceedings involving the CIS?		✓	There is no such requirement		

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(5) procedures for purchase, redemption, and pricing of units?	✓		Regulation Art 3 p 4 (only order of redemption)	
	(6) relevant, audited financial information concerning the CIS?	✓		Information concerning whereabouts of latest annual and interim reports is to be reported in the prospectus (IFA Art 12 (1) p 3, 4)	
	(7) information on the custodian?	✓		Regulation Art 9	
	(8) the investment policy of the CIS (i.e., indicating the markets and instruments in which investments are made)?	✓		Regulation Art 5	
	(9) information on the risks involved in achieving the investment objectives?	✓		Regulation Art 7	
	(10) the appointment of any external administrators or investment managers or advisers who have a significant and independent role in relation to the CIS?	✓		Regulation Art 10	
	(11) fees and charges in relation to the CIS?	✓		Regulation Art 11	
	(12) the regulatory authority, auditors and other independent third parties and their responsibilities in relation to the CIS?	✓		Regulation Art 2 p 7, 12, Art 10	
	(13) description of the methodology of asset valuation?	✓		Regulation Art 2 p 9	
29.	Whether CIS operators are subject to a general disclosure obligation to allow investors to evaluate the suitability of the CIS for them?		✓	Except for requirement to publish prospectus and fund rules or other specific requirements (such as IFA Art 221 (6) - information relating to the quantitative limits that apply in the risk management of the fund, to the measures of risk management and to the recent evolution of the main instrument categories' risks and yields) there are no general disclosure obligation to allow investors to evaluate the suitability of the CIS for them.	19

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
30.	Whether the regulator has the power under the law to take actions in the event that the issuing documentation is inaccurate, misleading or false or fails to satisfy the filing/approval requirements? If "yes", please list all regulatory actions available.	✓		FSA may issue precept (IFA ART 289, 290), requiring <i>inter alia</i> publication of information, amendment of prospectus and publication thereof, impose penalty payment in case the obliged person fails to comply with the precept (IFA Art 301), impose fine (IFA Art 302, 307), Refuse to register the fund rules (IFA Art 116 (1) p 5.	19
31.	Whether the offering document is required to be kept up-to-date to take account of any material changes affecting the CIS?	✓		IFA Art 225	19
32.	Whether prior notification is required to be given to the regulator regarding changes to information in an offering document? If "yes", please indicate whether the regulator's approval is required.	✓		IFA Art 225 (the changes are submitted to the FSA and disclosed simultaneously)	19
33.	Whether CIS operators are required to submit to the regulator a report setting forth the activities in respect of a CIS on a periodic basis (please specify the report's periodic basis: annual, semi-annual, quarterly)?	✓		IFA Art 238 and 7 January 2005 Regulation of the Minister of Finance No 4 (report submission period varies based on the type of report. The shortest applicable period is one month – investments report)	19
34.	If the answer to the above question is "yes":				
	(1) whether the law or regulation require a timely distribution of the report?	✓		7 January 2005 Regulation of the Minister of Finance No 4 Art 2 (3)	19
(2) whether the regulatory framework requires that the accounts of a CIS be prepared in accordance with high quality, internationally acceptable accounting standards?	✓		Only in case the units or shares therefore are accepted for trading on a regulated market. Otherwise Estonian GAAP or IFRS are the options (Accounting Act Art 17)		

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
ASSET VALUATION					
35.	Whether CIS operators are required to have the CIS net asset value (NAV) ¹⁴ calculated on a regular basis? If "yes", please indicate the frequency.	✓		There is no specific requirement, however, operators are required to calculate NAV of the unit of the CIS each day that it issues or redeems units, but at least once a week in the case of an open-ended fund and a pension fund and once a month in the case of a closed-ended fund	20
36.	Whether the valuation of the CIS assets is required to be checked by independent auditors?		✓	Only in case of annual report (IFA Art 240)	20
37.	Whether there are specific regulatory requirements in respect of fair valuation of assets where market prices are not available?	✓		13 June 2005 Regulation of the Minister of Finance No 46 Art 3 (2)	20
PRICING AND REDEMPTION OF INTEREST					
38.	Whether the operator of a CIS is required to disclose or publish the price of the CIS unit on a regular basis?	✓		Each day that the management company issues or redeems units, but at least once a week in the case of an open-ended fund and once a month in the case of a closed-ended fund (IFA Art 144 (2))	20
39.	Whether CIS operators are subject to an on-going obligation to disclose, in a timely fashion by way of notices or announcements, information which is material to the value of a CIS or otherwise significant to holders of interests in a CIS?		✓	There is no such requirement	19
40.	Whether there is a maximum time period for making payment of redemption proceeds? Please specify		✓	This issue is not regulated	20

¹⁴ The calculation of the net asset value (NAV) of a CIS is extremely important, as the NAV reflects the price which an investor pays when investing in a CIS (subject to any additional up-front charges) and the price an investor will receive (subject to any additional exit charges) should a holding be liquidated.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
41.	Whether there are rules governing the fees or charges payable by investors on the purchase or redemption of shares or units of a CIS?	✓		IFA Art 139: purchase or redemption fee is stipulated in fund rules. Fees for the issue and redemption of units are determined as a percentage or set amount of the net asset value of a unit of the fund.	20
42.	Whether there are rules or mechanisms in place to address errors in respect of the price of the CIS units or the value of CIS assets?		✓	This issue is not regulated	20
43.	Whether suspension or deferral of routine valuation and pricing and regular redemption of shares or units of a CIS is permissible under certain circumstances? If "yes", please briefly the circumstances.	✓		IFA Art 146 (1):A management company may suspend the redemption of units of an open-ended fund for up to three months if the money in the accounts of the fund is insufficient for payment of the redemption price of the units, if the regular management of the fund may be harmed by the payment of the price, if the securities or other assets of the fund cannot be promptly sold or if the interests of other unit-holders would be materially harmed thereby. The suspension and the reasons thereof are to be immediately reported to the FSA (IFA Art 146 (3))	20
44.	Whether the regulator has the power to demand, delay or stop the deferral or suspension of redemption rights?	✓		The FSA may issue a precept obliging a management company to suspend the redemption of units if this is necessary in order to protect the legitimate interests of the unit-holders (IFA Art 146 (4)). The FSA may, by a precept, specify a term within which the redemption of units may be suspended. The length of the term may be up to six months in the case of an open-	20

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				ended fund and up to two years in the case of a closed-ended fund.	

Section E – Market Intermediaries

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
AUTHORISATION AND LICENSING					
1.	Whether licensing is required to conduct business as:				21
	(i) Market intermediaries ¹⁵ ?	✓		SMA Art 48,49, Credit Institutions Act (CIA) Article 13	
	(ii) Investment Advisers ¹⁶ ?		✓	SMA Art 45 sets forth the list of investments services that require a license, investment advisement is not included in the list	
2.	Whether the relevant law or regulations establish minimum standards or criteria that all applicants for licensing must meet before a license is granted?	✓		SMA and CIA prescribe a number of requirement to be met, <i>inter alia</i> with respect to the capital, management of the relevant applicant assessed on basis of documents submitted pursuant to SMA Art 54	21
3.	Whether the circumstances in which a license application may be refused are clearly set forth in the law or regulation? If "yes", please briefly describe.	✓		The relevant legal acts (SMA Art 56) set forth a clear list of circumstances being basis for refusal to grant a licence, <i>inter alia</i> , failure to meet the established requirements, non-compliance of the managers with the standards specified by the law etc.	21

¹⁵ "Market intermediaries" include those who are in the business of managing individual portfolios, executing orders and dealing in, or distributing, securities.

¹⁶ "Investment advisers" for the purpose of this assessment are those engaged in the business of advising others regarding the value of securities or the advisability of investing in, purchasing or selling securities. They offer only advisory services without offering other investment services.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
4.	If the answer to the above question is "yes", whether these requirements include:				
	(1) an assessment of whether the applicant has the appropriate financial resources (e.g., minimum initial capital) to carry on the proposed business? If "yes", please specify	✓		SMA Chapter 11, CIA Art 35 and Chapter 7 set forth the amount of share capital and prudential requirements to be complied with	21
	(2) an assessment of whether the applicant has adequate operational systems and controls for the businesses it proposes to carry on, such as proper books and records, internal controls, risk management, and supervisory systems?	✓		SMA Art 54, Art 55 (2)	
	(3) an assessment of whether the applicant has senior management and directors with the knowledge, skills and experience necessary to perform their proposed roles?	✓		SMA Art 56 p 4, CIA Art 15 p 4	
(4) an assessment of whether the applicant has a proven track record/past conduct?	✓		SMA Art 56 p 6, CIA Art 15 (1) p 8 (only in case the punishment was imposed)		
ONGOING REQUIREMENTS					
5.	In the event that a market intermediary fails to meet ongoing requirements, whether the regulator has the power to:				
	(1) suspend the intermediary's license?		✓	There is no such possibility	21
	(2) revoke the intermediary's license?	✓		SMA Art 58	
	(3) impose conditions or restrictions on the intermediary's business operations?	✓		SMA Art 235 p 1	
	(4) take effective steps to seek the removal of persons employed at the intermediary which have committed securities violations?	✓		SMA Art 235 p 6, 7	
(5) impose other sanctions? If "yes", please specify.	✓		Issue precepts (SMA Art 234, 235), impose penalty payment in case the precept is not complied with (SMA Art 234 ¹), impose a fine (SMA Chapter 25)		

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
6.	Whether intermediaries are required to immediately report to the regulator on the occurrence of the following events:				21
	(1) significant change in the ownership of the firm?	✓		SMA Art 78	
	(2) change in the senior management or directors of the firm?	✓		SMA Art 80	
	(3) change in the information delivered during the licensing process or a material change in the intermediary's circumstances?	✓		SMA Art 53 (3), SMA Art 58 ¹ CIA Art 13 ¹ (2)	
	(4) other specific events? If "yes", please specify.	✓		SMA Art 73 - a person who intends to acquire a qualifying holding in an investment firm or to increase such holding so that the proportion of the share capital of the investment firm or votes represented by shares exceeds 20, 33 or 50 per cent, or to conclude a transaction as a result of which the investment firm will become a company controlled thereby shall notify the Supervision Authority of its intention beforehand	
7.	Whether the following information about intermediaries is required to be made publicly available:				21
	(1) the existence of a license, its category and status?	✓		SMA Art 52 (2), (3), SMA Art 237 CIA Art 18	
	(2) the scope of its permitted activities, the names of its senior management and other individuals authorised to act in the name of the intermediary?	✓		SMA Art 52 (2), SMA Art 237	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
INVESTMENT ADVISERS¹⁷					
8.	Does the regulatory framework on investment adviser include detailed requirements setting out the disclosures to be made by the adviser to potential clients, including:				
	(i) descriptions of the adviser's educational qualifications,		✓	The regulatory framework does not include detailed requirements for the disclosure of the descriptions of the adviser's educational qualifications	
	(ii) investment strategies,	✓		SMA Art 188 ¹⁸ - investment strategy is included in the investment recommendation which is intended for publishing or making known or available through distribution channels to the public or at least to a large number of persons	
	(iii) fee structure and other client charges,		✓	The regulatory framework does not include detailed requirements for the disclosure of the fee structure and other charges	
	(iv) potential conflicts of interest, and	✓		SMA Art-s 188 ²² and 188 ²³	
	(v) past investment performance? <i>[please specify for each of the items]</i>		✓	The regulatory framework does not include detailed requirements for the disclosure of past investment performance	21
CUSTODIANS¹⁸					
9.	In case of custodians, does regulation provides for the protection of client assets, including segregation and periodic or risk-based inspections (either by the regulator or an independent third party)?	✓		SMA Art 88	21

¹⁷ See footnote 17, above.

¹⁸ For the purpose of this assessment, custodians are c those professionals who do not deal, but are permitted to have custody of client assets (i.e., to hold securities on behalf of clients).

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
CAPITAL ADEQUACY REQUIREMENTS					
10.	Whether intermediaries are required to calculate and maintain a minimum amount of capital on an on-going basis? If "yes", please briefly describe.	✓		SMA Art 93 (1) – from EUR 50,000 to EUR 730,000 depending on the investment services provided CIA Art 35 - the paid-in share capital of a bank upon the foundation thereof shall be equivalent to at least 5 million euro on the basis of the exchange rate of the Bank of Estonia	22
11.	Does the regulatory framework provide for different minimum capital requirement for intermediaries depending on the risks undertaken?	✓		SMA Art 93 – different minimum capital requirement is provided for in the law depending on the services (<i>inter alia</i> the risks) provided (undertaken) by the intermediaries	22
12.	Whether intermediaries are required to provide audited financial statements or other audited reports to the regulator?	✓		SMA Art 108	23
13.	Whether the regulatory framework require intermediary to have specific liquidity and solvency requirements (e.g., enough capital to run the business for three months)?	✓		SMA Art 94 ¹ , SMA Art 104	22
14.	Whether an intermediary is required to give notice to the regulator if its capital falls below the minimum requirements?	✓		SMA Art 106 (1)	22
15.	Whether there are regulatory measures that the regulator can take in the event that a market intermediary's capital falls below a required minimum? If "yes", please list them.	✓		SMA Art 58 (2) – to terminate the licence of an intermediary SMA Art 58 (4) - prior to making a decision to revoke an activity licence the regulator may issue a precept to the intermediary establishing a term for elimination of the deficiencies which are the basis for revocation of the activity licence	22

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
16.	Whether capital adequacy requirements take into consideration trading book ¹⁹ positions?	✓		SMA Art 103	22
MANAGEMENT AND SUPERVISION					
17.	Whether market intermediaries are required to establish and maintain: (1) appropriate standards of conduct to ensure that the firm complies with all applicable laws and regulations? <i>Please describe</i>	✓		SMA Art-s 85-89 – in general intermediaries are required: (i) to provide investment services and non-core services with due professionalism, precision and care, proceeding primarily from the best interests of the client; to present all information subject to mandatory disclosure to the client; (ii) to convey to its clients all relevant information pertaining to transactions which are being contemplated and risks related thereto; (iii) to provide the client at least once every three months with information regarding the transactions conducted with the assets of the client when managing the securities portfolio, and regarding the value of the assets, the composition of the securities portfolio and other circumstances related to the provision of services	23

¹⁹ The trading book of an institution shall consist of all positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book (Art.111 of EC Directive 2006/49).

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(2) appropriate systems of risk management and internal controls? <i>Please describe</i>	✓		SMA Art-s 82-83 – intermediaries shall establish policies and procedures or rules of procedure regulating the activities of managers and employees, the aim of which is to ensure that legislation regulating the activities of the intermediary is complied with and that decisions taken by the directing bodies thereof are duly observed; intermediaries shall have in place an adequate internal control system which covers all management and operations levels of the intermediary CIA Art-s 58 ¹ , 59 - a credit institution or a company in the consolidation group of a credit institution shall have in place an adequate internal control system and functioning credit risk controlling system. The internal control system of a credit institution shall cover all levels of management and operations of the credit institution	
CUSTOMER PROTECTION					
18.	Whether a market intermediary is required to “know its customer” before providing specific advice to a customer?	✓		SMA Art 87	23
19.	Whether market intermediaries are subject to a general duty to put the interests of a client ahead of its own interests?	✓		SMA Art 85, SMA Art 89 (1) p 1	23
20.	Whether market intermediaries are required to disclose to the clients where there is a potential for conflicts of interest?	✓		SMA Art 87 p 4	23
21.	Whether market intermediaries are required to treat all clients equally in case where conflicts of interest arise between several of the firm's clients?	✓		SMA Art 85, SMA Art 89	23

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
22.	Whether market intermediaries are required to enter into written contracts with all clients?		✓	Except for the clients of the credit institutions, CIA Art 89 (2) - the relationships of a credit institution with its clients shall be regulated by contracts entered into in writing, in a form enabling written reproduction or in electronic form	23
23.	Whether market intermediaries are required to provide clients with:				23
	(1) transaction reports and/or confirmations? [<i>Please specify the frequency</i>]	✓		SMA Art 87 p 5 - upon the request of the client or at least once every three months	
	(2) account statements? [<i>Please specify the frequency</i>]	✓		SMA Art 87 p 5 - upon the request of the client or at least once every three months	
PROCEDURES FOR DEALING WITH INTERMEDIARY IN FINANCIAL DIFFICULTY					
24.	Whether the regulator has a contingency plan or other measures to deal with the financial difficulty (i.e., a situation which could potentially lead to insolvency) of a market intermediary, including a combination of activities to restrain conduct, to ensure assets are properly managed and to provide information to the market as necessary?	✓		SMA Art-s 58 (termination of licence), 234, 235 (prescription and penalty payment in case of not observing the prescription), 237 ⁸ (penalty)	24
25.	Whether there is an investor compensation fund/scheme ²⁰ in place?	✓		GFA Art 4 (1) p 2, GFA Art 4 (3)	24
26.	Does the regulatory framework provide for early warning systems or other mechanisms (e.g., a specified threshold below which a market intermediary is considered in financial difficulty and the regulator's action is required) to give the regulator notice of financial difficulty by a market intermediary and time to address the problem and to take corrective actions?	✓		SMA Art 106	24
27.	In the event of financial difficulty of a market intermediary, whether the regulator has the power to:				24

²⁰ The investor compensation fund (or scheme) is a fund set up usually with contributions of market intermediaries (or the state) aiming to compensate investors in case of an intermediary insolvency. It is not a banking deposit insurance scheme.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(1) restrict activities by the intermediary?	✓		SMA Art 58, SMA Art 235	
	(2) require the intermediary to take specific actions (e.g., moving clients accounts to another intermediary)?		✓		
	(3) freeze or seize assets held by the intermediary or by a third party on behalf of the intermediary?		✓		
	(4) appoint a monitor, receiver, or other administrator?		✓		
	(5) require that the relevant information is disclosed to the market?	✓		SMA Art 52 – the regulator shall publish a decision to revoke an activity licence on its website as well as in at least one daily national newspaper. SMA Art 235 – the regulator has the right to demand that the issuer whose securities are offered publicly promptly disclose information, if disclosure of such information obligatory under the law	

Section F – Secondary Market

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
LICENSING OF EXCHANGES AND TRADING SYSTEMS					
1.	Whether prior authorisation or licensing [<i>please specify</i>] is required in respect of:				
	(1) a securities exchange? [<i>please specify is this authorisation/licensing is different from the one of market intermediary</i>]	✓		SMA Art 120. According to the SMA, the terms “regulated market” and “stock exchange” are not distinguished. SMA Art 150 – the provisions applicable to the regulated market also apply to the stock exchange (specific type of regulatory market)	25
(2) a trading system ²¹ ? [<i>please specify is this authorisation/licensing is different from the one of market intermediary</i>]		✓	Please see the answer above. Estonian law does not determine a “trading system”. Estonian Central Depository of Securities acts as a registry facilitating transactions with securities. However, ECSD does not bring purchasers and sellers of securities together but enables due registration of transactions agreed by the parties.		

²¹ A trading system means essentially any organization, association, person, group of persons, or system that constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange. The main difference between a trading system and the stock exchange is that the former does not set rules governing the conduct of subscribers other than the conduct of such subscribers' trading on such organization, association, person, group of persons, or system; or discipline subscribers other than by exclusion from trading (for a different definition under EU law, see Art. 4, item 14 and 15 of Directive 2004/39/EC dated 21 April 2004 on markets in financial instruments – so-called MiFID).

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
2.	In connection with an application by an exchange or trading system for authorisation or licensing, whether the regulatory framework requires:				25
	(1) evidence of the operational or other competency or fitness of the system operator as a secondary market ?	✓		SMA Art-s 79 (5), 80, 124, 125, 126, 152	
	(2) the operator of the system assuming risks ²² to comply with prudential and other requirements designed to reduce the risk of non-completion of transactions (e.g., mandatory margin assessment and collection, capital or financial resources, member contributions, compensation scheme, credit or position limits)?	✓		SMA Art-s 124, 125, 139, 152	
	(3) the regulator to be informed of the types of securities to be traded?	✓		SMA Art-s 156 (2), 157 and Rules of Stock Exchange, Part II	
	(4) the regulator to give approval of the rules [and any amendments thereof] governing the admission of securities to be traded?	✓		SMA Art-s 121 (2), 128 and 129 (2)	
	(5) all persons with direct access to the system to be authorised or licensed? [please specify if the same rules apply to the trading system and stock exchange]	✓		Rules of Stock Exchange, Part IV, Chapter 4 - the management board of stock exchange shall decide to grant membership, i.e. authorisation upon application	
	(6) the same financial capacity, integrity, or performance criteria as those for market intermediary must be met by persons with direct access to the system or exchange?	✓		SMA Art-s 124, 125, 126, 152	

²² I.e., principal risk, settlement risk, guarantee risk and performance risk.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(7) clearly disclosed standards or procedures governing trade execution (e.g., requirements with respect to precedence of client orders, prohibitions on front-running ²³ or trading ahead of customers, etc)? If "yes", please describe.	✓		SMA Art-s 131,132 – general obligation of an operator to establish and implement the rules and regulations in order to ensure the efficiency and transparency of the market. Each person who provides investment services has the right to participate in the market if it complies with the requirements provided in the law. SMA Art 139 – an operator’s obligation to establish a guarantee fund to guarantee the execution of transactions conducted on the market SMA Art 188 ⁶ (prohibition on misuse of inside information) Rules of the Stock Exchange , Part V	
ONGOING SUPERVISION					
3.	Whether the regulatory framework requires the regulator to have arrangements in place for continuous monitoring, surveillance and supervision of the trading system and the conduct of its participants?	✓		SMA Art-s 148, 149	26
4.	Whether the regulatory framework provides the system operator, the regulator or others have the power to suspend or halt trading, set margins, set position limits or otherwise intervene in case unusual or potentially improper trading occurs? If "yes", please briefly describe.	✓		SMA Art-s 136, 137 The Financial Supervision Authority has the right to issue a precept to an operator for suspension or cessation of trading in order to protect the interests of investors, to avoid danger to the regular and lawful operation of	25

²³ The illegal practice of taking a position based on information not publicly available regarding an imminent transaction, possibly ahead of a customer order. (e.g., a broker who buys himself 200 shares in a stock just before his or her brokerage plans to buy a large block of 400,000 shares).

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				the market or to protect any other significant interest or avoid any threat. An operator has the right to cease trading with a security on the market if the issuer of the security has significantly violated an obligation arising from legislation or the rules and regulations in order to protect the interests of investors, to avoid danger to the regular and lawful operation of the market or on other grounds provided for in the rules and regulations.	
5.	Whether the regulatory framework requires the regulator to have a procedure in place to assess the continuing compliance of the trading system or exchange with the initial authorisation requirements?		✓		26
6.	If the regulator determines that the exchange or trading system is unable to comply with the conditions of its initial authorisation, does the regulatory framework provide the regulator with the power to:				
	(i) re-examine the exchange or trading system conditions of authorisations/licensing and impose a range of actions, such as restrictions or conditions on the market operator?	✓		SMA Art 58 (4) - the regulator has the right to issue a precept to the operator establishing a term for elimination of the deficiencies which are the basis for revocation of the activity licence	26
	(ii) withdraw the exchange or trading system's authorization?	✓		SMA Art 123	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
TRANSPARENCY OF TRADING					
7.	Whether the regulatory framework includes			SMA Art-s 143, 144, 145 Decree No 113 of the Minister of Finances (27.09.2002) Art 2 An operator is required to ensure constant access to information on the securities traded on the market, including the acquisition and transfer price of the securities, recent prices, price changes, the highest and lowest prices and the volume and number of transactions.	27
	(i) requirements or arrangements for providing (a) pre-trade (i.e., posting bids and offers) and (b) post-trade (i.e., last sale price and volume of transactions) information to market users? If "yes", please indicate the frequency and timing of reports and what is reported.	✓		An operator is obliged to ensure the access to the trading information on its webpage with the time lag not longer than 60 minutes (in case of an operator of an exchange – with the time lag not longer than 15 minutes).	
(ii) Requirements or arrangements that information on completed transactions be provided on an equitable basis to all participants?	✓		SMA Art 131 (3)		
8.	Does the regulatory framework allow the exchange or trading system's operator to permit derogation from the objective of real-time transparency ²⁴ ? If yes, are conditions clearly defined?	✓		SMA Art-s 146, 147 Decree No 113 of the Minister of Finances	

²⁴ The degree of transparency of a market can be measured as a deviation from a real-time standard. However, there is no single standard of "timeliness." Most exchanges and regulatory systems provide for a certain degree of deviation from a real-time standard, such as, permitting some degree of opaqueness of quote information for block transactions, adopting different definitions of "real-time," adopting a "promptness" standard that varies from several minutes to a longer time, allowing exceptions to real-time based on the size of the trade, type of trade (dealer mediated rather than auction market) or type of dealer. Indeed, each type of market microstructure delivers market fairness, efficiency and transparency in slightly different ways.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				(27.09.2002) Art-s 3, 4 Yes, the conditions are clearly defined	
DETECTION OF UNFAIR PRACTICES					
9.	Whether there is legislation prohibiting the following conduct in respect of securities admitted to trading on authorised exchanges and regulated trading systems:				28
	(1) market or price manipulation?	✓		SMA Art-s 188 ² , 188 ³ , 188 ¹⁵	
	(2) misleading information?	✓		SMA Art 142 – a general obligation to provide the operator with an accurate, clear, precise and complete information	
	(3) insider trading?	✓		SMA Art-s 188 ² - 188 ¹⁴	
	(4) front-running ²⁵ ?	✓		SMA Art 188 ⁶	
	(5) excessive leverage in the system (e.g., trading on margin ²⁶)?		✓		
	(6) other fraudulent or deceptive conduct and market abuses?		✓		
10.	Does the regulatory framework provide the regulator with the power to supervise and inspect (i) securities position limits, (ii) quotation display rules, (iii) order handling rules, (iv) settlement price rules or market halts?		✓	The regulatory framework does not specifically stipulate the regulator's power to supervise and inspect the issues referred to in the question. Nevertheless, SMA Art 230 (3) provides the regulator with the general obligation to monitor making of offers regarding financial instruments and conclusion of transactions	28

²⁵ See footnote 25.

²⁶ This practice is about trading with borrowed money, which can be extremely risky because both gains and losses are amplified. That is, while the potential for greater profit exists, this comes at a hefty price - the potential for greater losses. Margin also subjects the investor to a number of unique risks such as interest payments for use of the borrowed money.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				with financial instruments and other acts in connection with possible market abuse. According to SMA Art 148 (1) and Art 149 the operator is also required to supervise the market with respect to the price formation of securities traded on the market and the conducting and execution of transactions and inform the regulator immediately of any violation of law. The operator and the regulator shall co-operate in exercising market supervision.	
11.	In case of detection of trading violations, whether the following actions can be taken by the relevant authority:				28
	(1) liquidation of positions?		✓		
	(2) suspension of trading?	✓		SMA Art-s 136, 235 p 7 ¹	
	(3) fines?	✓		SMA Art-s 237 ¹ -237 ³⁶	
	(4) revocation or suspension of membership or access authorisation?	✓		Rules of the Stock Exchange , part VI, chapter 4, sections 4.1.1, 4.4 and 4.5	
	(5) other sanctions [<i>please explain</i>]?	✓		SMA Art-s 137, 235 p 7 ¹ (trading ban) - in order to protect the interests of investors, to avoid danger to the regular and lawful operation of the market or to protect any other significant interest or avoid any other threat, the Supervision Authority has the right to issue a precept to an operator for the cessation of trading with securities on the market upon violation of the requirements provided for in the law regarding trading. Rules of the Stock Exchange, part VI, chapter 4, section 4.7	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(6) required arbitration or mediation?	✓		SMA Art-s 202-211 Rules of the Stock Exchange, part VI, chapter 4, section 4.8	
MONITORING OF LARGE EXPOSURES					
12.	Whether the relevant regulatory framework requires the clearing firm, the market, and/or the regulator to monitor trading in order to identify large exposures ²⁷ ? If "yes", please briefly describe (i) how the law defines "large exposure" and (ii) the monitoring functions conducted (e.g., reporting requirement, inspections etc.)	✓		SMA Art 131 - the Stock Exchange and the clearing firm have a general obligation to ensure proper functioning, the efficiency and transparency of the market and protection of the investors. SMA Art 142 - the monitoring is based on the information that the market participants provide to the clearing firm, the market and the regulator.	29
13.	Whether the regulator or the market has the power to compel customers or market members carrying or controlling large positions to reduce their exposures or to post increased margin?		✓		29
14.	In case a market member does not make relevant required information needed to evaluate an exposure available to the market authority, whether the following action can be taken by the relevant market authority:				29
	(1) impose limitations on future trading?	✓		SMA Art-s 135, 136, 235	
	(2) require liquidation of positions?		✓		
	(3) increase margin requirements?		✓		
	(4) revoke trading privileges?	✓		Rules of the Stock Exchange, Part VI, Chapter 4, Sections 4.4, 4.5 and 4.7	

²⁷ The terms "large exposure" refers to open positions or credit exposures that are sufficiently large to expose a risk to the market or to a clearing firm.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(5) suspend from trading?	✓		SMA Art-s 136, 235 p 7 ¹ Rules of the Stock Exchange, Part VI, Chapter 4, Sections 4.5, 4.6 and 4.7	
	(6) require to increase capital of the market member?		✓		
DEFAULT PROCEDURES					
15.	Whether the market is required to have contingency plans or emergency procedures in dealing with a market disruption or system failure?	✓		SMA Art-s 124, 126, 131	29
16.	Whether the regulatory framework requires markets and/or the clearing and settlement system(s) promptly to isolate the problem of a firm in financial difficulty by addressing its open positions or otherwise protect customer funds and assets from an intermediary's default under national law?	✓		SMA Art 139 - if an operator undertakes to guarantee the execution of transactions conducted on the market, the operator shall establish a guarantee fund. Rules of the Stock Exchange, Part V, Chapter 5 – the Stock Exchange shall use the assets of the guarantee fund, above all, in case it appears that the exchange transaction is non-executable due to financial difficulties of a member. The operator will execute the transaction on account of the funds of the guarantee fund. The member whose transaction has been covered by the guarantee fund is under an obligation to reimburse in addition to the payment made from the guarantee fund also all other costs related to the use of the guarantee fund as well as the fees for every exchange day within the deadline.	29
17.	Whether the regulatory framework requires intermediaries to separate and segregate customers' assets from other funds and assets?	✓		SMA Art 88 (1)	29

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
18.	If yes, in the event of intermediary's insolvency, does the framework enable customer's positions to be moved by a receiver to a solvent intermediary?	✓		SMA Art-s 88 (6), 229 (3)	29

Section G – Clearing and Settlement

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
AUTHORISATION AND LICENSING OF SECURITIES SETTLEMENT SYSTEMS					
1.	Whether the clearing and settlement systems are subject to direct supervision either by the regulator or the relevant market authority?	✓		SMA Art-s 230-237	18
2.	If the regulator has oversight responsibility regarding the clearing and settlement system, whether the regulator has the power to:				
	(1) license clearing and settlement systems?	✓		SMA Art-s 214 (2), 217	30
	(2) issue rules mandating specific standards for clearing and settlement systems?		✓	The rules of transfer orders and of the clearing and settlement system shall be established by the system operator. However these rules shall be submitted to the regulator for the approval.	
	(3) approve changes to a clearing and settlement system's rules and procedures?	✓		SMA Art 223	
	(4) conduct surveillance of the operations of clearing and settlement systems?	✓		SMA Art 230	
	(5) inspect, audit or require a third party inspection or audit of clearing and settlement systems?	✓		SMA Art-s 230, 233	
	(6) require the clearing organization to file reports?	✓		SMA Art 231	
(7) bring regulatory actions against a clearing and settlement systems for violations of the securities laws and regulations or for failure to enforce its own rules?	✓		SMA Art-s 220, 234, 235		
TRADE CONFIRMATION AND DELIVERY VERSUS PAYMENT					
3.	Whether the regulatory framework requires that confirmation of trades between direct market participants occur no later than trade date (T+0)?	✓		SMA Art-s 143, 144 Rules of the Stock Exchange, Part IV, Chapter 5, Section 5.6.8	2

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
4.	Whether the regulatory framework requires that trades be settled within three days from the trade date (T+3)?	✓		<p>Rules of the Stock Exchange, Part V, Chapter 1, Section 1.6 – the value date of automatically matched transactions is T+3.</p> <p>In case of the manual trade, the members may determine that the settlement date of the transaction is from T+1 until T+6.</p> <p>Members may agree on the different settlement date only on the consent of the Stock Exchange.</p>	3
5.	Does the technical, legal and contractual framework ensure that delivery of securities takes place if, and only if, payment is received? (i.e., DVP - delivery versus payment)?		✓	<p>There is a choice of two transaction options to make a securities transfer: Delivery versus Payment (DVP) and Free of Payment (FOP).</p> <p>ECRSA Art 15 - in case of a DVP transaction, the money is automatically transferred from the buyer to the seller during the securities transfer. Should there be insufficient funds in the buyer's bank account at the time of the transaction, the securities are not transferred either.</p> <p>In case of an FOP transaction the money is not automatically transferred from the buyer to the seller during the securities transfer. If the parties to the transaction have agreed on a payment for the securities, they have to do so in accordance with their prior agreement (e.g. bank transfer or in cash).</p>	3

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
TRANSPARENCY					
6.	Do entities that provide the clearing, settlement and custodial infrastructure of securities markets make clear disclosures to market participants about their rules, regulations, relevant laws, governance procedures, risks, steps taken to mitigate risks, and the rights and obligations of participants?	✓		Rules of the Data processing of Estonian Central Register of Securities, Price List, Procedure for Maintenance of Estonian Central Register of Securities established by the operator of the clearing and settlement system and provided in the webpage of the Estonian Central Register of Securities (the webpage also includes links to relevant laws and regulations)	17
CENTRAL DEPOSITORY²⁸					
7.	Are securities issued on a dematerialised basis (i.e., electronic issue opposed to the issuance as a physical certificate)?	✓		All securities are issued on a dematerialised basis.	6
8.	Does the transfer of securities require any form of physical delivery?		✓		6
9.	Does a central securities depository (CSD) exist? If NO, please briefly describe the settlement system.	✓			6
10.	If the answer to the above question is “yes”, does an entry in the CSD result automatically in the transfer of the legal title to the securities in the official register of the issuer? If NO, please specify which rights are given by the entry		✓	The parties of a transaction have a right to agree upon the transition of the legal title to the securities. However, according to the ECRSA Art 9 the rights to securities entered in the register are deemed applicable <u>with regard to third parties</u> only if such rights are entered in the	6

²⁸ There are several different ways for owners to hold securities. In some jurisdictions, physical securities circulate and beneficial owners may keep securities in their possession, although owners typically employ a custodian to hold them to reduce risks and safekeeping costs. The costs and risks associated with owning and trading securities may be reduced considerably through immobilisation of physical securities, which involves concentrating the location of physical securities in a depository. The immobilisation or dematerialisation of securities and their transfer by book entry within a CSD significantly reduces the total costs associated with securities settlements and custody.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
				register. According to Art 229 (4) of the Commercial Code, the transfer of title is valid with respect the issuer only as of the moment the respective entry is made in the register	
11.	Are securities immobilised or dematerialised and transferred by book entry in a CSD?	✓		All the transactions as regard the securities have to performed through the Central Depository of Securities which is dematerialised register. ECRSA Art 1, Art 2	6
OVERSIGHT					
12.	Is the clearing and settlement systems required to:				30
	a) file periodic reports to the regulator?		✓	Nevertheless, the clearing and settlement system operator is subject to supervision by the regulator	
	b) submit to periodic and/or special audits and inspections?		✓		
DERIVATIVES					
13.	Whether derivative securities clear and settle on a different system through a specialised trading and/or clearing system?		✓		30
14.	If the answer to the above question is "yes", whether the legislative framework addresses the treatment of derivatives risks?				30
PROTECTION OF CUSTOMERS' SECURITIES					
15.	Does the legal or regulatory framework provide any arrangements to protect customers' securities from theft, loss or misuse and to ensure that they will not become subject to claims of the custodian's creditors (e.g., segregation of assets insurance, compensation schemes)?	✓		SMA Art 226 – guarantee fund SMA Art 139, Rules of the Stock Exchange, part V, chapter 5 – guarantee fund of the stock exchange	12

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
				SMA Art-s 88 (6), 140, 228, 229 – segregation of the client's assets from the bankruptcy estate	
16.	Are the entities holding securities in custody subject to mandatory internal or external audit, or both, to determine if there are sufficient securities to satisfy customer claims?	✓		SMA Art 44 (1)	12

Section H – Accounting and Auditing of Financial Reports

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
DISCLOSURE OF FINANCIAL RESULTS					
1.	Whether issuers are required to publish financial and other information at regular intervals (i.e. annual and periodic financial reports, please specify)?	✓		<p>AA Art 4, Rules of the Stock Exchange, Part III, Chapter 5</p> <p>The issuer is required to make public the audited annual report immediately after its approval by the supervisory board but not later than four months after the end of the accounting period. Together with the annual report the issuer is obliged to make public the auditor's report.</p> <p>The issuer is obliged to publish interim reports on its operations and financial results for 3 months, 6 months, 9 months and 12 months of the financial year (preliminary annual accounts), consisting also data of last quarter of the period.</p>	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
2.	If the answer to the above question is "yes",				14
	(1) Whether the issuer or other persons (depending on the circumstances, they might be the underwriter, sponsor, advisor, etc.) is legally responsible for the contents of these reports?	✓		AA Art 25 (3) SMA Art 237 ⁸ Rules of the Stock Exchange, Part III, Chapter 10 These reports shall be signed by the management board and by the supervisory board. By signing these reports the abovementioned persons are responsible for the veracity of the information presented in the report. In case of audited reports the auditor shall also be liable for the contents of the report (Authorised Public Accountant Act Art 40). Underwriter and sponsor are not liable for the content of the reports.	
	(2) Whether companies are required to file these reports with the regulator for review/approval?	✓		Rules of the Stock Exchange, Part III, Chapter 5 The issuer is obliged to publish these reports, but the reports are not required to be reviewed or approved by the regulators. However, in practice, FSA have issued precepts due to non-compliance of the reports presented with the applicable requirements.	
	(3) Whether the regulator has the power to take action for incomplete or misleading information in these reports?	✓		SMA Art-s 148, 149, 235	
EXTERNAL AUDITOR					
3.	Whether the relevant law or regulation requires that annual financial statements published by issuers should be audited by external auditors?	✓		AA Art 14 Rules of the Stock Exchange, Part III,	16

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				Chapter 5	
4.	Does the regulatory framework require that an issuer's governance body independent in both fact and appearance of the management of the company (e.g., shareholders or a statutory or corporate audit oversight body) oversee the process of selection and appointment of the external auditor?	✓		CA Art 298	16
5.	Whether the regulatory framework requires issuer to change the external auditor after a certain number of years (i.e., rotation)? If yes, please specify the rotation period		✓	Requirements to the Prospectus of Public Offering of Securities Art 11 (Decree of Minister of Financial Affairs)	16
6.	Whether issuers are required to provide audited financial statements in public offering prospectuses?	✓		Requirements to the Prospectus of Public Offering of Securities Art 11 (Decree of Minister of Financial Affairs)	16
7.	Whether the required audited financial statements include the elements listed below:				
	(1) a balance sheet or statement of financial position?	✓		AA Art 15	16
	(2) a statement of the results of operations?	✓		AA Art 15	
	(3) a statement of cash flow?	✓		AA Art 15	
	(4) a statement of changes in ownership equity or comparable information included elsewhere in the audited financial statement or footnotes?	✓		AA Art 15	
ACCOUNTING STANDARDS					
8.	Are financial statements required in public offering and publicly available annual reports required to be prepared and presented in accordance with a comprehensive body of accounting standards?	✓		SMA Art 14 ¹ Rule of the Stock Exchange, Part III, Chapter V	16
9.	If the answer to question above is "yes", are these accounting standards of a high and internationally acceptable quality?	✓		AA Art 34 (1) – the Accounting Standards Board, established by the government, issues accounting guidelines which shall be prepared on the basis of international financial reporting standards (IFRS) Rule of the Stock Exchange, Part III,	16

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				Chapter V - the financial statements available in annual reports and all the financial reports shall be prepared using the accounting policies and methods that comply with international accounting standards (IAS)	
10.	Whether an organisation responsible for the establishment and timely interpretation of accounting standards is set out by the relevant law or regulation? If "yes", please state the name of the body and its composition	✓		AA Art 32 – the Accounting Standard Board is responsible for the establishment of accounting standards. The Accounting Board is established by the Estonian Government.	16
11.	If the answer to the above question is "yes", whether the standard setting body is subject to regulatory oversight? If "yes", please indicate who the supervisory authority is.		✓	AA Art 32 - the Standards Board is an independent committee. However, the Minister of Finance has the right to issue mandatory precepts to the Standards Board for the performance of the obligations arising from the law.	16
12.	Whether the accounting standards used in preparing financial statements and financial reporting address the general topics listed below:				16
	(1) presentation of financial information?	✓		AA Art 16	
	(2) consolidation of financial information?	✓		AA Art-s 16, 27-31	
	(3) business combinations?	✓		AA Art 18, Appendix 1 to AA	
	(4) tangible and intangible assets (including impairment of assets)?	✓		AA Art 18, Appendix 1 to AA	
	(5) leases?	✓		AA Art 18, Appendix 1 to AA	
	(6) income taxes?	✓		AA Art 18, Appendix 1 to AA	
	(7) employee benefits (e.g., pension, stock compensation, etc.)	✓		AA Art 18, Appendix 1 to AA	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(8) provisions and contingencies?	✓		AA Art 18, Appendix 1 to AA	
	(9) financial instruments (including derivative financial instruments)?	✓		AA Art 18, Appendix 1 to AA	
	(10) securitisation?	✓		AA Art 18, Appendix 1 to AA	
13.	Whether the accounting standards used in preparing financial statements and financial reporting address the following areas of particular interest to investors:				
	(1) earnings per share?	✓		Rules of the Stock Exchange, Part III, Chapter 5, Section 5.2.2	16
	(2) interim financial reporting?	✓		Rules of the Stock Exchange, Part III, Chapter 5, Section 5.4	
	(3) information about business segments?	✓		AA Art 24	
	(4) related party transactions?	✓		AA Art 18 and Appendix 1 to AA	
	(5) leases?	✓		AA Art 18 and Appendix 1 to AA	
AUDITING STANDARDS					
14.	Are audited financial statements included in public offering and publicly available annual reports, required to be audited in accordance with a comprehensive body of auditing standards?	✓		EC Regulation No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as regards information contained in prospectus as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, Annex I APAA Art 2	16
15.	Are these auditing standards of a high and internationally acceptable quality?	✓		APAA Art 2 (5) the auditing rules include requirements for auditing and professional ethics based on the standards of the International Federation of Accountants.	16

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
16.	Does the regulatory framework provide for an organization responsible for the establishment and timely interpretation of auditing standards?	✓		APAA Art 3 – Board of Auditors	16
17.	Do auditing standards expressly require the auditor to:				16
	(1) use due professional care in the performance of the audit?	✓		AG Art-s 4, 6	
	(2) adequately plan and supervise the audit?	✓		AG Art-s 22, 28 (4) p 7	
	(3) obtain an understanding of the internal control system of the entity?	✓		AG Art 30	
	(4) obtain sufficient evidence to determine whether the financial statements are free of material misstatements?	✓		AG Art 29	
18.	Whether an auditor report is required to disclose:				16
	(1) any exceptions to the application of accounting principles used?	✓		AG Art 43	
	(2) any material uncertainties in the financial statements?	✓		AG Art 43	
	(3) any going-concern issues?	✓		AG Art 43	
19.	Whether the regulatory framework requires auditors to be independent from the issuer? If "yes", please define "independence"	✓		AG Art 7 - The auditor should maintain complete independence in a client relationship. AG does not define "independence" but it stipulates the main situations that would give reasonable grounds for claiming that the auditor is not independent. These situations include: 1) financial involvement with the client; 2) appointments in companies; 3) personal and family relationships; 4) goods and services.	16
20.	Whether auditors are required to be licensed or approved and to satisfy specific education criteria and other qualifications in order to practice?	✓		APAA Art-s 21-26	16
21.	Whether auditors are subject to continuing professional education	✓		APAA Art 27, AG Art 4 (2)	16

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	requirements after they are licensed or approved to practice?				
22.	Does the regulatory framework provide for a mechanism for enforcing compliance with accounting standards such as requiring restatements of financial statements that deviate from accepted standards?	✓		APAA Art-s 20, 44	16

Section I – Money Laundering

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	FATF Relevance
SCOPE OF THE CRIMINAL OFFENCE OF MONEY LAUNDERING					
1.	Whether there is legislation in place to address the issues of money laundering (ML)? If "yes", please identify the name of such legislation and when it was adopted <i>[if a special law exists, please include details of the law in Section I, above]</i>	✓		Money Laundering and Terrorist Financing Prevention Act (25.11.1998)	1
2.	Whether the following conventions have been signed and ratified (please specify in your comments):				
	(i) 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention)?		✓	Signed on the 10 October 2000, but not ratified	1 and 35
	(ii) 2000 UN Convention against Transnational Organized Crime (the Palermo Convention)?	✓		Signed on the 14 December 2000 and ratified on the 4 December 2002	
(iii) 2003 UN Convention against Corruption?		✓			
3.	Does the law provide for the confiscation of property (including funds and securities) that has been laundered or which constitutes (i) proceeds from; (ii) instrumentalities used in; and (iii) instrumentalities intended for use in the commission of any ML, financing of terrorism (FT) or other predicate offences, and property of corresponding value.	✓		PC Art 83 ² - if a court convicts a person of a criminal offence and imposes imprisonment for a term of more than three years or life imprisonment, the court shall, in the cases provided by this Code, confiscate a part or all of the criminal offender's assets if these belong to the offender at the time of the making of the judgment, and if the nature of the criminal offence, the legal income, or the difference between the financial situation and the standard of living of the person, or another fact gives reason to presume that the person has acquired the assets through commission of the criminal offence. Confiscation is not applied to assets with regard to which the person certifies that	3

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	FATF Relevance
				<p>such assets have been acquired out of lawfully received funds</p> <p>PC Art 237 – for the criminal offence (acts of terrorism) the court shall impose extended confiscation of assets or property acquired by the acts of terrorism</p> <p>PC Art 237³ - for the criminal offence (financing and support the acts of terrorism) the court shall impose extended confiscation of assets or property acquired by financing and supporting the acts of terrorism</p> <p>PC Art 394 (5) and (6) – a court may apply confiscation of an property which was the direct object of the commission of a money laundering or impose extended confiscation of assets or property acquired by the money laundering</p>	
CUSTOMER DUE DILIGENCE AND RECORD-KEEPING					
4.	Does the regulatory framework require that financial institutions obtain senior management approval before establishing business relationships with politically exposed persons?		✓		6
5.	Does the regulatory framework require financial institutions to maintain all necessary records on transactions, both domestic and international, for at least five years following completion of the transaction regardless of whether the account or business relationship is ongoing or has been terminated?	✓		MLTFPA Art 12	10
6.	Are financial institutions required to undertake customer due diligence measures including identifying and verifying the identity of their customers?	✓		MLTFPA Art-s 6-10	5
7.	Does the regulatory framework prohibit from opening/maintaining (i) anonymous accounts, (ii) accounts in fictitious names, (iii) numbered accounts and (iv) non registered (i.e., bearer) securities?	✓		(i) MLTFPA Art-s 6 (4), Art 11 - accounts in credit and financial institutions shall be in the name of an account holder, (ii)	5

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	FATF Relevance
				MLTFPA Art 10, (iii) according to the Procedure for Maintenance of Estonian Central Register of Securities Art 5 (1) the name of the owner of the securities account shall be entered in the register with regard to a securities account, MLTFPA Art 6 (4) – account shall be in the name of the account holder. (iv) the law does not provide for the explicit prohibition to open or maintain accounts for the bearer securities and does not provide and any regulation as regards the issue. However Art. 4 p. 3 of the ECRSA prescribes that, <i>inter alia</i> , the names of owners of the security are to be registered with Estonian Central Register of Securities. Therefore, although there are no direct restrictions on having accounts opened for non registered securities, in practice such accounts can not be opened.	
REPORTING OF SUSPICIOUS TRANSACTIONS AND COMPLIANCE					
8.	Does the regulatory framework require financial institutions to report to the relevant authority suspicious transactions (i.e., when it suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity or terrorism financing), regardless of the amount of the transaction?	✓		MLTFPA Art 15	13
9.	Does the regulatory framework require market intermediaries to have in place policies and procedures designed to minimise the risk of using an intermediary's business as a vehicle for money laundering?	✓		MLTFPA Art-s 13, 14	8
INTERNATIONAL COOPERATION					
10.	Does the regulatory framework allow the relevant authority to cooperate with foreign authorities for AML purposes (e.g., search and seizure of information,	✓		MLTFPA Art 24	36-38

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	FATF Relevance
	taking of evidence or statements from persons, providing originals or copies of relevant documents and records)?				

Section J –Financial Instruments

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
VARIETY OF FINANCIAL INSTRUMENTS TRADED					
1.	Does the regulatory framework provide for a definition of financial instruments/securities or similar? <i>[Please provide the definition in your answer]</i>	✓		SMA Art 2 - each of the following is a security, even without a document being issued therefore: 1) a share or other similar tradable right; 2) a bond, convertible security or other tradable debt obligation issued; 3) a subscription right or other tradable right granting the right to acquire securities; 4) an investment fund unit; 5) a debt obligation issued for a term of up to one year, which is usually traded on the money market (money market instrument); 6) a derivative instrument; 7) a tradable depositary receipt. SMA Art 188 ¹ - a financial instrument is every abovementioned security or another instrument which is admitted for trading on the market of Estonia or another Contracting State or for which a request for admission to trading on such a market has been submitted	
2.	Does the regulatory framework provide comprehensive regulation for listing and trading of:				25
	(i) commercial bonds	✓		SMA Rules of the Stock Exchange	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(ii) government bonds		✓	<p>Estonian law provides some regulation for listing and trading governmental bonds, however, it is not comprehensive.</p> <p>According to the State Budget Act the procedure and conditions for the issue of government bonds shall be established by the Government of the Republic. The offer of the bonds may be public or not. In case the offer is public all the requirements provided by the SMA apply.</p> <p>According to the Rules of the Stock Exchange Part II Chapter 9, the securities issued by the state are listed on the basis of an application submitted to the Exchange by a competent body of the Issuer. The listing particulars published by the state shall include the information provided by applicable legislation and the Rules of the Stock Exchange, taking into account the specifications of the state as the issuer.</p> <p>According to the Rules of the Stock Exchange Part III Chapter 8 the requirements that the state, as the issuer of the securities, shall comply with are softer than in case of the company as the issuer. The state as the issuer is required to comply with the general requirements for issuers, with the requirement to disclose accurate information that is subject to disclosure, observe the right methods of disclosure of the information and some other special requirements for issuers of debt securities.</p>	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(iii) municipal bonds		✓	Estonian law provides some regulation for listing and trading municipal bonds, however, it is not comprehensive. The Rural Municipality and City Budgets Act provides the conditions on which the local government has the right to issue debt securities. According to the Rules of the Stock Exchange the same requirement apply as for the government bonds (please see the answer above).	
	(iv) derivatives	✓		According to the Estonian law the term “derivatives” includes only a financial instrument as a security (not a derivative contract). SMA Rules of the Stock Exchange	
3.	Whether there is a specific regulation applicable to the issuance of financial instruments to the benefit of employees as an employee share purchase plan?		✓		14, 25
DERIVATIVES					
4.	Does the regulatory framework clearly provide that derivative contracts are enforceable without exceptions? ²⁹		✓	There is no specific regulation on derivative contracts at the moment. Derivative contracts are not considered as securities under the Estonian law. Although gaming bets are not enforceable	14, 25

²⁹ In some jurisdictions, the enforceability of derivatives is limited due to a concurring provision addressing unenforceability of gaming bets. In some other countries enforceability of derivatives is limited only to licensed financial institutions.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				under Estonian law, we do consider derivative contracts to fall under definition of gaming bets. There are no other factors, which may prevent enforceability of the derivative contracts. However, a draft of a law of the Securities Market Act is in proceeding in the parliament according to which the legislation applicable to the financial instruments, <i>inter alia</i> to derivatives, would be extended to derivative contracts as well	
5.	If a market for derivatives exists, does the regulatory framework require disclosure of the terms of the contracts traded, the mechanisms of trading and the risks?		✓	The law does not provide detailed requirements as regards the derivative contracts at present. Please see also the answer above.	14
CROSS-BORDER ISSUANCE					
6.	Does the regulatory framework provide for any limits/restrictions to the issuance and the selling of financial instruments by a foreign issuer in your market? <i>Please describe</i>		✓	There are no specific limits/restrictions. However, according to the SMA Art 37 - in order for a prospectus of an issuer of a third country to be registered with the Supervision Authority some additional documents and information shall be submitted, e.g. an agreement with a professional securities market participant located in Estonia to carry out the issue,) a description of the terms and conditions of the offer of securities	14-16
7.	Does the regulatory framework provide for any limits/restrictions to the issuance and the selling of financial instruments by a national issuer in a foreign market? <i>Please describe</i>		✓	There are no specific limits/restrictions. However, according to the SMA Art-s 39, 39 ¹ - the issuer registered in Estonia is	14-16

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				required to notify the Supervision Authority of any offer of securities issued and offered thereby in a foreign state, but has every right to offer securities to the public in all host Contracting States on the basis of a prospectus and supplements to the prospectus registered with the Supervision Authority.	
SPONSOR/UNDERWRITER					
8.	In the case of Initial Public Offering, whether the issuer is required to have a sponsor or an underwriter?		✓		14
CONCENTRATION RULE					
9.	Does your regulatory framework require that all relevant transactions be conducted on a stock exchange?		✓	The transactions and trade with securities are being conducted in a regulated market - stock exchange being specific type of a regulated market SMA Art 3 - a regulated securities market is a system of organisational, legal and technical measures directly or indirectly accessible to the public which is established for the purpose of enabling regular trade with securities and which enables different persons to make offers to each other, whether simultaneously or not, for conducting transactions with securities, and to conduct transactions with securities SMA Art 150 - a stock exchange is a market where <u>listed securities</u> are traded	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
PRIVATE PLACEMENT					
10.	Whether there is a specific regulation for private placement of financial instruments? Please define private placement.		✓	<p>The securities market regulation concerns public offerings. There is no specific regulation for private placement.</p> <p>Unless otherwise prescribed in SMA, the offer of securities is public. An offer of securities is not deemed to be public in the case of: 1) an offer of securities addressed solely to qualified investors, or 2) an offer of securities addressed to fewer than 99 persons per Contracting State, other than qualified investors, or 3) an offer of securities addressed to investors who acquire securities for a total consideration of at least 50 000 euro per investor, for each separate offer, or 4) an offer of securities whose denomination per unit amounts to at least 50 000 euro, or 5) an issue or offer of securities with a total consideration of less than 100 000 euro in a period of 12 months.</p>	14

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