

THE STATUTES OF THE GUARANTEE FUND

Chapter 1 General provisions

§ 1 Guarantee Fund

(1) The Guarantee Fund (hereinafter "fund") is a legal person in public law founded by the Guarantee Fund Act (hereinafter "Act").

(2) The name of the fund in English is the Guarantee Fund.

(3) The names of the fund's sectoral funds in English are the Deposit Guarantee Fund (hoiuste tagamise osafond), the Investor Protection Fund (investorikaitse osafond) and Pension Protection Fund (pensionikaitse osafond).

(4) The fund has the exclusive right to its own name and the names of its sectoral funds.

§ 2 Seat of Fund

The seat of the fund is in Tallinn.

§ 3 Documents of Fund

(1) The documents of the fund are drawn up and stored in the manner prescribed by the regulation of the Government of the Republic "Single Bases for Record Management" of 26 February 2001 No 80 and other legislation.

(2) The fund's documents contain the name of the fund and the contact information in the Estonian and English languages.

§ 4 Directing Bodies of Fund

The directing bodies of the fund are the supervisory board of the fund (hereinafter "supervisory board") and the director of the fund (hereinafter "director").

Chapter 2 Supervisory Board

Division 1 Competence and Members of Supervisory Board

§ 5 Supervisory Board

(1) The highest directing body of the fund is an eight-member supervisory board.

(2) Members of the supervisory board personally participate in the operation of the supervisory board.

§ 6 Competence of Supervisory Board

(1) The competence of the supervisory board is laid down in subsection 6 (2).

(2) In addition to the competence laid down in the Act, the supervisory board:

1) if necessary, announces a competition to find a candidate for the post of the director;

2) authorizes the chairman of the supervisory board to conduct negotiations with the candidate for the post of director;

3) decides submission of a financial claim against the director

4) on the proposal of the director, decides covering the costs with the assets of the fund necessary for its operation, which are not recorded in the budget;

5) decides opening of accounts in credit institutions for receiving contributions and conducting operation related transactions ;

6) decides (the fund's) membership of international organizations and incurring of the necessary expenses;

7) appoints the persons who communicate with the public and who can disclose the operations of the supervisory board, including the information on the meetings of the supervisory board;

8) decides acquisition and transfer of movables and immovables to be entered into a register, and letting of the Fund's assets and constituting a right of superficies on it;

9) if necessary, decides concluding an insurance contract for insuring (the fund) against the risk of accepting proprietary liability, in case the supervisory board and the director waive the requirements established by law and the present regulation, and abandon their responsibilities, and the terms of the contract.

§ 7 Appointing New Membership of Supervisory Board

(1) A new membership of the supervisory board must be appointed under the procedure established in section 7 of the Act and the present regulation within 45 days prior to or immediately after the date the term of office of the supervisory board, specified in subsection 9 (1) of the Act, ends. The appointment of a new membership of the supervisory board cannot take effect prior to the date the term of office of the previous membership of the supervisory board ends.

(2) The Minister of Finance sends a copy of the resolution specified in subsection 7 (3) of the Act with a submission to appoint a new member of the supervisory board to the organisations specified in the regulation at least 30 days prior to the date the term of office of the supervisory board ends.

(3) If several organisations have been specified under the clauses 7 (1) 5), 6) or 7) of the Act and only one organisation appoints a member of the supervisory board within the time limit established

in the subsection 7 (3) of the Act, other organisations are presumed to support the appointment.

(4) If several organisations have been specified under the clauses 7 (1) 5), 6) or 7) of the Act and the organisations each appoint a member of the supervisory board, the Financial Supervision Authority (hereinafter "Supervision Authority") must appoint the new member of the supervisory board under the procedure described in subsection 5.

(5) If the organisations specified in the clauses 7 (1) 5)-7) of the Act fail to appoint a member of the supervisory board within 30 days after the Minister of Finance has made a submission to appoint a member of the supervisory board, or if the provisions of the Act or the procedure described in the regulation are violated upon appointment, the Supervision Authority must appoint the member of the supervisory board. The Supervision Authority must appoint the member of the supervisory board within ten days of receiving a notification from the Minister of Finance or of establishing the fact that the provisions of the Act or the procedure described in the regulation have been violated.

§ 8 Specific Resignation Procedure of Members of Supervisory Board

(1) A member of the supervisory board may resign by submitting a corresponding written application (hereinafter in the section "application") to the person or the body specified in subsections 7 (1) or (3) of the Act which appointed him/her (hereinafter "appointing person").

(2) If several organisations have appointed a member of the supervisory board under the clauses 7 (1) 5)-7) of the Act, the application must be submitted to each of the operating organisations. If a member of the supervisory board is appointed under the subsection 7 (3) of the Act, the application must be submitted to the Supervision Authority.

(3) A member of the supervisory board must send a copy of the application to the fund immediately after having submitted the application. A member of the supervisory board appointed under the clauses 7 (1) 5)-7) or the subsection 7 (3) of the Act must send a copy of his/her application also to the Minister of Finance immediately after having submitted the application.

4) The appointing person must send a copy of the resolution to accept the resignation to the fund immediately after the resolution is adopted. A copy of the resolution to accept the resignation of a member of the supervisory board appointed under the clauses 7 (1) 5)-7) or the subsection 7 (3) of the Act must also be sent to the Minister of Finance.

§ 9 Specific Removal Procedure of Members of Supervisory Board

(1) A member of the supervisory board may be removed from office following the procedure specified in the subsections 10 (3)-(5) of the Act.

2) If a member of the supervisory board has been appointed by several different organizations under the clauses 7 (1) 5), 6) or 7), the member must be deemed to be removed when at least one of the appointing organizations adopt such a decision.

3) The appointing person must send a copy of the resolution to remove a member of the supervisory board from office to the fund immediately after the resolution is adopted. A copy of the resolution to remove from office a member of the supervisory board appointed based on the clauses 7 (1) 5)-7) or subsection 7 (3) of the Act must also be immediately sent to the Minister of Finance

and the Supervision Authority.

§ 10 Appointing Members of Supervisory Board

(1) In case of resignation, removal or death of a member of the supervisory board 1) within 20 days, the Minister of Finance submits a motion to the Government of the Republic to appoint a new member of the supervisory board;

2) within 30 days, the President of the Bank of Estonia appoints a new member of the supervisory board;

3) within 30 days, the Supervision Authority appoints a new member of the supervisory board

4) within 10 working days, the Minister of Finance submits a motion to the organisation(s) specified in the subsection 7 (3) of the Act to appoint a new member of the supervisory board.

(2) If the removal (of a member of the supervisory board from office) is based on cessation of operation of an organisation specified in the subsection 7 (3) of the Act, the Minister of Finance must designate a new organisation/new organisations and, within ten working days, make the organisation(s) a submission to appoint a new member of the supervisory board.

(3) The appointing person must send a copy of the resolution to appoint a member of the supervisory board, as well as a copy of the consent and of the confirmation specified in subsection 7 (2) of the Act to the fund immediately after the resolution has been adopted. In case of members of the supervisory board appointed under the clauses 7 (1) 5)-7) of the Act, the copies must also be sent to the Minister of Finance and the Supervision Authority.

(4) Immediately after submitting the motion specified in the subsection 8 (2) or the clause 10 (1) 4) of the Act, the Minister of Finance must inform the fund and the Supervision Authority about it.

(5) In case of the circumstances specified the clause (1) 4), a member of the supervisory board must be appointed under the subsections 7 (3)-(5).

(6) The subsection (3) must be applied also when members of the supervisory board are appointed under section 7.

Division 2

Chairman and Deputy Chairman of Supervisory Board

§ 11 Procedure for Electing Chairman and Deputy Chairman of Supervisory Board

(1) The members of the supervisory board must elect the chairman of the supervisory board (hereinafter "chairman") and the deputy chairman of the supervisory board (hereinafter "deputy chairman") from among themselves.

(2) The chairman and the deputy chairman must be elected at the first meeting of the supervisory board following the appointment of the new membership of the supervisory board, or at the meeting following the appointment of a new member of the supervisory board replacing the

chairman or the deputy chairman. If the chairman or the deputy chairman resigns, the supervisory board must elect the new chairman or the new deputy chairman at the meeting where the resolution to accept the chairman's or the deputy chairman's resignation was adopted or at the subsequent meeting.

(3) A meeting of the supervisory board deciding on the election of the chairman and the deputy chairman has a quorum if all appointed members of the supervisory board participate in the meeting.

4) The chairman must be elected before the deputy chairman is elected.

5) The chairman and the deputy chairman must be elected by an open vote. The chairman of the meeting counts the votes. The course of elections and the results of the poll must be recorded in the minutes.

6) At least two members of the supervisory board must support the nomination of a candidate for the position of the chairman or the deputy chairman; each member of the supervisory board can nominate but one candidate at an election, but he/she cannot nominate himself/herself. A written motion to nominate a candidate must be submitted to the chairman of the meeting before the relevant item on the agenda is addressed.

7) Before the poll, the nominated candidate gives his/her consent to stand for the position. A member of the supervisory board who has given his/her consent to stand for the position cannot make a motion to nominate a candidate for the position. If a candidate has not given his/her written consent to stand for the position by the time the poll is to be conducted, he/she is presumed to have stood down and his/her appointment is not put to a vote.

(8) If there are two candidates, a member of the supervisory board must vote in favour of either candidate. If there is one candidate, a member of the supervisory board must vote either in favour or against the candidate. The candidate is considered elected if at least five members of the supervisory board vote in favour of the candidate.

9) If the chairman and the deputy chairman are not elected at the meeting of the supervisory board specified in subsection 2 because the meeting had no quorum or none of the candidates received the required majority, the election procedure will be repeated at the subsequent meeting of the supervisory board. If the elections of both the chairman and the deputy chairman fail, the subsequent meeting of the supervisory board must take place no later than ten days after the unsuccessful elections.

§ 12 Competence of Chairman

In addition to the competence laid down in subsection 11 (4) of the Act, the chairman:

1) represents the supervisory board;

2) conducts negotiations with the candidates for the post of the director;

3) presents the candidate for the post of the director to the supervisory board;

4) arranges, based on section 14 of the Act, adopting of resolutions of the supervisory board

without convening a meeting;

5) arranges taking minutes at meetings of the supervisory board;

6) decides the persons to be called to attend a meeting of the supervisory board;

7) if necessary, takes a decision on the director not attending a meeting of the supervisory board;

8) prepares and makes motions to the supervisory board concerning decisions to be taken by the supervisory board in matters within the limits of its competence.

Division 3 Meetings

§ 13 Convening Meetings

(1) Meetings of the supervisory board are convened and the notifications specified in section 14 are signed by the chairman unless the law or the present regulation stipulate otherwise.

(2) The chairman, or in cases established in subsection 4 the director, convenes the meeting within ten working days if so required in writing by at least two members of the supervisory board, the Minister of Finance, the President of the Bank of Estonia or the chairman of the management board of the Supervision Authority.

(3) The director must convene the first meeting of the new membership of the supervisory board within one month after the date the last member of the supervisory board is appointed.

(4) The director must also convene the meeting if elections of both the chairman and the deputy chairman have failed or if they both as members of the supervisory have been removed from office, have resigned or died.

(5) In the absence of the director or if the director does not convene the meeting in time, the Minister of Finance, under the circumstances specified in subsections (3) or (4), must convene the meeting within ten working days after the day the director should have convened the meeting .

§ 14 Notification of Meeting

(1) The members of the supervisory board must be notified of a meeting of the supervisory board in writing at least ten working days before the meeting unless the present regulation provides otherwise.

(2) The director, or in the case specified in subsection 13 (5) the Minister of Finance, is responsible for delivering the notification of a meeting to the members of the supervisory board. The notification is sent either by post, fax machine or electronic mail.

(3) The notification must include the following information:

- 1) the time and place of the meeting;
- 2) the agenda of the meeting and the names of rapporteurs;
- 3) the list of documents and the data necessary for adopting a resolution;
- 4) other substantial facts concerning the meeting.

(4) The documents and the data necessary for adopting a resolution must be appended to the notification of a meeting. A member of the supervisory board can demand that supporting documents necessary for adopting a resolution be passed to him/her.

§ 15 Conducting Meetings

(1) The location of a meeting of the supervisory board is the seat of the fund unless the person who calls the meeting has convened it somewhere else.

(2) A meeting of the supervisory board has a quorum if at least six members of the supervisory board are present.

(3) If a meeting lacks a quorum, a new meeting with the same agenda must be convened no sooner than the following working day but no later than ten working days after the meeting was cancelled. In such a case it is not necessary to adhere to the subsection 14 (1) establishing a term for an advance notification. The members of the supervisory board must be informed immediately about the time and place of the new meeting.

(4) Items needing urgent discussion and passing of relevant resolutions may be put on the agenda at the meeting, if at least five members of the supervisory board agree to it.

(5) A member of the supervisory board must abstain from voting if he/she is personally, whether directly or indirectly, interested in a resolution on an issue to be discussed. He/she must inform the chairman of the meeting of such an interest before the relevant item on the agenda is addressed.

(6) The supervisory board must decide upon passing resolutions the extent to which they are made public.

(7) The supervisory board has no right to pass resolutions if the law or the present regulation is violated when calling a meeting of the supervisory board, except in cases when all the members of the supervisory board participate in the meeting.

§ 16 Minutes of Meetings

(1) The person appointed by the chairman takes minutes of the meeting.

(2) The minutes of a meeting (hereinafter "minutes") must contain the following information:

- 1) the time and place of the meeting;
- 2) the number of the meeting;

- 3) the list of the members of the supervisory board and other persons attending the meeting;
- 4) the names of the chairman of the meeting and the person taking the minutes;
- 5) the agenda of the meeting;
- 6) the list of rapporteurs ;
- 7) the questions asked and a description of the essentials of the discussion;
- 8) the passed resolutions together with the results of roll call votes;
- 9) annotations concerning appended written dissent about resolutions of the supervisory board to the minutes; the dissenter verifies the annotation by signing it;
- 10) in case of a regulation of the supervisory board amending or invalidating another regulation, the title, the date of passing and the number of the amended or invalidated resolution;
- 11) other facts having relevance to the meeting.

(3) Written dissent must be submitted, properly signed, to the person taking the minutes immediately after taking a vote on the resolution but no later than during the next working day after the meeting.

(4) The minutes must be sent to all the members of the supervisory board participating in the meeting by electronic mail within two working days; the members of the supervisory board have the right to demand within two working days after the minutes have been sent that the minutes be amended with the purpose of recording the meeting more precisely.

(5) The chairman and the person taking the minutes sign the minutes and any copies of them. The signed minutes with an appended explanation of how the suggestions made by the members of the supervisory board have been taken into account must be sent to the members of the supervisory board and the director by electronic mail within ten working days after the meeting takes place.

§ 17 Preserving and Accessing Minutes of Meetings

(1) The minutes of meetings and voting records are preserved at the seat of the fund without a term. The director arranges preservation of minutes, voting records and annexes to them, clarifications of draft resolutions and written replies under the Archives Act (RT I 1998, 36/37, 552; 1999, 16, 271; 2000, 92, 597; 2001, 88, 531; 93, 565) and is responsible for their preservation.

(2) A notification of the meeting, written motions submitted at the meeting, applications and written dissent as well as the documents the resolutions are based on are appended to the minutes and constitute their integral part.

(3) The members of the supervisory board, the director, the auditor of the fund and other persons have the right to access the minutes, the voting records and the resolutions of the supervisory board in a manner prescribed by law.

(4) The resolutions of the fund can be accessed at the seat of the fund. The fund, by consent of the

director, issues uncertified copies of resolutions passed by the supervisory board to the persons with legitimate interest for a fee fixed by the supervisory board.

Chapter 3

Director

§ 18 Competence of Director

(1) The director discharges functions placed within his/her competence by law, the present regulation and the resolutions of the supervisory board.

(2) The director has the right to represent the fund in all legal acts unless otherwise prescribed by law.

(3) In addition to the competence laid down in the Act, the director
1) enters into employment contracts with the employees of the fund which, among other things, establish the obligation to keep banking secrets, business secrets of the fund and other professional secrets, as well as the consequences of revealing such secrets;

2) decides transfer and grant of use of the assets of the fund under the law, the present regulation, and the more specific bases and procedure for investing the assets of the fund;

3) convenes a meeting of the supervisory board in cases specified in the law and the present regulation, and signs a notification of the meeting;

4) under the authority granted by the supervisory board, enters into a liability insurance contract specified in the clause 6 (2) 9) of the Act;

5) under the authority granted by the supervisory board, enters into a contract with an asset manager referred to in section 82 of the Act.

(4) The director is responsible to the supervisory board. The supervisory board may ask the director to make a single report or regular reports on operation and the financial situation of the fund or other issues regarding operation of the fund.

(5) A member of the supervisory board has the right to ask the director questions in writing regarding operation of the fund; the director must answer the questions within the time limit laid down by the member of the supervisory board.

§ 19 Appointing Director

(1) The appointment of the director must be decided by open vote.

(2) The person standing for the position of the director must submit his/her written consent to stand for the position and the documents specified in subsection 20 (2).

(3) If the candidate does not receive the required majority, the supervisory board must give authorization to the chairman of the supervisory board to nominate a new candidate and enter into

negotiations with the person.

(4) With a view to the management of the fund, the chairman of the supervisory board concludes an employment contract with the director within one month after the director is appointed; the supervisory board must approve the terms of the contract before it is signed.

§ 20 Removing Director from Office

(1) The director sends the written application specified in subsection 22 (1) to the chairman (of the supervisory board).

(2) The director is considered removed from office as of the date the supervisory board passes a relevant resolution unless the resolution prescribes a later date.

(3) Upon submitting the application specified in the subsection (1), the director is considered removed from office at the latest within three months of the date the application was submitted.

Chapter 4 Budget of Fund

§ 21 Establishment Principles of Fund's Budget

The fund must be guided by the law, the present regulation, the fund's operating strategy and the requirements on establishment of the budget approved by the supervisory board when drafting the budget.

§ 22 Requirements on Budget

(1) The budget of the fund (hereinafter "budget") records all the revenue and expenditure of a financial year.

(2) The budget must be drawn up for the whole fund and for each sectoral fund. The overhead costs of the fund must be shown separately as well as the appropriations from the budgets of sectoral funds to cover the costs.

(3) The revenue of a sectoral fund must be recorded in the budget as specified in section 76 of the Act.

(4) The expenditure of a sectoral fund must be recorded in the budget as specified in subsection 80 (3).

§ 23 Draft Budget and Approving of Budget

(1) The director must submit a draft budget with an appended explanatory memorandum to the supervisory board for discussion and approval at least within 40 days before the beginning of each financial year. The explanatory memorandum must contain a thorough analysis and an evaluation of all the revenue and expenditure of the fund, including income of contributions and possible

payment of compensations.

(2) The supervisory board must approve the budget by 31 December of the year before the following financial year, at the latest.

(3) If the budget of the fund is not approved by the beginning of the financial year, expenses in the amount of 1/12 of the expenditure of the previous year can be incurred each month. The restriction does not apply to payment of compensations.

§ 24 Amending Budget and Supplementary Budget

(1) In order to amend the budget, the director must submit the draft amendment motion with an appended explanatory memorandum to the supervisory board for approval. The explanatory memorandum must contain reasons for amending the budget and an analysis of the consequences. If the expenditure is increased, the draft amendment motion must show the sources of revenue the costs are to be covered from.

(2) The supervisory board must take a decision on the draft budget amendment motion at least within 40 days after the draft motion was submitted to the chairman.

Chapter 5 Assets of Fund

§ 25 Assets of Fund

(1) The assets of the fund are divided into the rights to be exercised and the obligations to be discharged out of each sectoral fund (hereinafter "assets of a sectoral fund"), and other assets of the fund. The fund, when possessing, using and disposing of its assets and of the assets of its sectoral funds, must be guided, first and foremost, by the objective to guarantee timely and appropriate discharge of the obligations placed on the fund and its sectoral funds by law.

(2) The fund must possess its assets prudently.

(3) The fund must use its assets expediently and exclusively for the purposes established by law.

§ 26 Disposing of Assets of Fund

(1) The fund may invest the balance of the assets of the fund after paying compensations and covering the operating costs under the procedures prescribed by law, the present regulation and the resolutions of the supervisory board.

(2) The fund may invest its assets directly or employ an asset manager in accordance with the restrictions on investment and other restrictions imposed in sections 83 and 84 of the Act, and with the restrictions on financial risk management imposed by the supervisory board.

(3) Investing of the assets of the fund must be guided by the objective of the highest possible return while maintaining value and liquidity of the assets and adhering to the restrictions imposed.

(4) In case of direct investment of the assets of the fund, the decisions are taken by the supervisory board or by the director within the limits of his/her competence specified by the supervisory board.

(5) In case of employing an asset manager, the asset manager takes decisions on investing the assets of the fund within the limits of his/her competence specified by the supervisory board or under a resolution of the supervisory board, taking into account the orders of the director. The supervisory board elects the asset manager and approves the terms of contract concluded with him/her. The director supervises carrying out the contract, and expediency of investing the assets of the fund.

Chapter 6 Implementing Provisions

§ 27 Appointing Members of Supervisory Board and Director upon Entry into Force of Act

(1) The first membership of the supervisory board must appoint the persons and bodies specified in subsection 7 (1) of the Act no later than by 1 August, 2002.

(2) The Minister of Finance must designate the organisations specified in the clauses 7 (1) 5)-7) of the Act, and, no later than by 15 July 2002, make the organisations a submission to appoint a member of the supervisory board.

(3) The supervisory board must appoint the director no later than within three months after the Act enters into force.

§ 28 Declaring Invalid Regulation of Government of Republic

The regulation of the Government of the Republic "Approval of the Statutes of the Deposit Guarantee Fund" of 15 September 1998 No 198 (RT I 1998, 80, 1332) is declared invalid.

§ 29 Entry into Force of Regulation

The regulation enters into force on 1 July, 2002.

Prime Minister
Minister of Economic Affairs
and Minister of Transport
and Communications
in the capacity of Minister of Finance
State Secretary

Siim KALLAS
Liina TÕNISSON
Aino LEPIK von WIRÉN