



FINANTSINSPEKTSIOON

8 September 2015 **Area of activity of a credit institution**

The Financial Supervision Authority considers it necessary to draw attention to certain aspects to facilitate understanding the area of activity of a credit institution. On 23 September 2014, the Financial Supervision Authority published the notice 'Only credit institutions have the right to receive deposits and other repayable funds from the public' <http://www.fi.ee/?id=18175>.

The term 'credit institution' is defined in Article 4 (1)(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, pursuant to which 'credit institution' means an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account.

Article 9(1) of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC stipulates that Member States shall prohibit persons or undertakings that are not credit institutions from carrying out the business of taking deposits or other repayable funds from the public.

Similarly, Subsection 4 (1) of the Credit Institutions Act grants credit institutions have the exclusive right to receive money from the public for the purposes of depositing or to receive repayable funds in any other manner.

This means that the Financial Supervision Authority regards all companies as operating in the area of activity of a credit institution if their economy activity is to grant credits for their own account and on their own behalf, and if they finance such activities for the account of deposits or other repayable funds received from the public.

The Financial Supervision Authority reiterates that under certain conditions, offering securities in order to use the received funds to grant credits can also be an activity characteristic of a credit institution. However, the Financial Supervision Authority considers it necessary to add that the features of an activity characteristic of a credit institution are present also in the case the repayable funds are received via the issue of debt in any manner whatsoever if it is directed into public circulation either directly or via intermediaries. Such receipt of repayable funds from the public also means placings whereby the sale occurs via any intermediaries, incl. joint investment companies or platforms, or if they are traded at any trading places or via the systematic executor of the orders of clients.

The Financial Supervision Authority thoroughly assesses the economic activities of companies as it processes activity licences or carries out registration proceedings, and presumes that the companies whose activities have the characteristics of the activities of a credit institution apply for the activity licence of a credit institution.