

European Central Bank
Legal Services
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Tallinn, 18. October 2016

Re: Questionnaire on assigning powers to the NCB to assess competition and issue directions to lenders with regard to interest rates (2016/101/LEGCO) – First WP

Dear Colleagues,

Please find below our answers to the questionnaire on assigning powers to the NCB to assess competition and issue directions to lenders with regard to interest rates, in response to Your request to provide such replies by the 18 October.

1. Has your central bank been assigned with tasks relating to the protection of competition? Has it been assigned similar powers to regularly assess the state of competition? Please describe briefly the scope of those tasks, also referring to the legal basis.

The Eesti Pank has not been assigned with the explicit tasks relating to the protection of competition.

2. Has your central bank been assigned with powers to regulate the interest rates charged by banks in respect of loans and/or the savings remuneration offered by banks in respect of deposits; and/or the application of usury laws in your respective jurisdictions? Please describe briefly the scope of those powers, also referring to the legal basis.

The Law on Obligations Act (LOA), section 96 stipulates that, if interest is to be paid on an obligation, the interest rate shall be equal to the last interest rate applicable to the main refinancing operations of the European Central Bank before 1 January or 1 July of each year, unless otherwise provided by the law or the contract. Eesti Pank shall organise timely publication of the interest rates in the official gazette.

Pursuant to § 406² of the LOA, consumer credit contract is void, if the annual percentage rate payable by the consumer exceeds at the time of granting the credit the past six months' average annual rate of consumer credits granted by credit institutions to private individuals and last published by Eesti Pank for more than three times. The publishing of the average annual percentage rate shall be arranged by 1 January and 1 July of each year by Eesti Pank on its website.

We emphasize that the abovementioned obligations are directed to publication and not to regulation of the relevant rates.

3. Has another public authority, such as the national competition or consumer protection authority, been conferred with such tasks to assess competition, or to regulate interest rates on

loans or deposit rates offered by financial institutions? How do these authorities interact with the central bank and/or the prudential supervisor in carrying out such tasks? Please describe briefly the scope of those powers, also referring to the legal basis.

Pursuant to the Competition Act, section 1, the Competition Authority shall exercise state supervision over the safeguarding of competition.

Pursuant to the Financial Supervision Authority Act, section 6, the Financial Supervisory Authority has a task to apply measures prescribed by legislation to protect the interests of clients and investors.

The Eesti Pank has not been conferred with direct tasks to assess competition or to regulate interest rates. Pursuant to the Eesti Pank Act, section 2, Eesti Pank has, *inter alia*, the tasks to promote the stability of the financial system, to exercise macro-prudential supervision over the financial system, to promote the efficient operation of payment systems and to participate in the development of the clearing environment. However, as a central bank, the Eesti Pank is involved predominantly with monetary policy and supervision tasks and it does not act like a competition authority.

Kind regards,

A rectangular grey box used to redact a signature.

Head of Legal Services
Eesti Pank