

FinanceEstonia
BEST PRACTICE FOR CREDITORS AND CREDIT INTERMEDIARIES

FinanceEstonia and Ellex Raidla have created this Best Practice for Creditors and Credit Intermediaries (the **CCI**) (the **Best Practice**) to regulate the activities of companies that have joined the Best Practice, particularly to the extent that is not regulated by legislation. The companies that have joined the Best Practice are not exempt from legal requirements. The Best Practice has been prepared taking into account the fact that the activities of CCIs have been regulated in detail by the laws and their implementing acts. Considering that all CCIs are required to comply with legal requirements and that the regulation is being constantly renewed, it is not reasonable to fully repeat the existing regulation in the Best Practice.

The Best Practice aims to point out the principles that contribute to achieving a mutual understanding, fair and free competition, the functioning of a sound financial system, and securing good reputation. With the issuance of the Best Practice, the CCIs aim to emphasize the importance of best practices and business ethics and to inform of principles that should be followed by customers, employees and other stakeholders.

The Best Practice has been created based on the principle of comply or explain, which means that on its website each CCI must confirm to the public whether it complies or does not comply with the Best Practice. The relevant explanations shall be provided by CCIs in the form of a report described in Clause 11 and as provided in Annex 1.

1. Self-Regulation

A CCI supports in all respects the mapping of the principles and practices important to the financial sector, and, if possible, participates in the development of such standards.

A CCI advocates standards that support innovation and do not limit the opportunities to develop financial services.

In their communication and when conducting business, the CCIs adhere to the principles of correctness, honesty, and mutual respect. This means that the CCIs fulfill the obligations undertaken, ensure that the information they exchange is adequate and do not express opinions that may lead to negative conclusions regarding another CCI.

2. Responsible Lending

A CCI monitors with special care adherence to the principles of responsible lending by its employees, and in the company overall.

In its activities, a CCI does everything in its capacity to achieve the goal that its customers would not undertake obligations which they would be unable to duly perform.

A CCI regularly analyses the methodologies and processes for the assessment of creditworthiness and, if necessary, updates and supplements them, taking into account the newly emerged opportunities and information technology developments, which would enable to follow the principles of responsible lending more efficiently, including a more precise assessment of the creditworthiness of customers.

When gathering and confirming data relevant for assessing creditworthiness, a CCI, in addition to other methods, uses also the services of a positive credit register, provided that suitable service providers exist.

In case a customer experiences problems with solvency, a CCI, taking also into account the legitimate interests of the customer and their willingness to overcome the payment difficulties, actively communicates with the customer to help find solutions that would allow the customer to fulfill its obligations towards the CCI.

3. Prevention of Money Laundering and Terrorism

A CCI adheres to the requirements arising from the regulation for the prevention of money laundering and terrorism with special care and does everything in its capacity to prevent money laundering and terrorism.

A CCI provides its employees training which is necessary to comply with the requirements applicable to the prevention of money laundering and terrorism and to help them understand updates to the regulation.

A CCI regularly analyses the internal methodologies and processes related to the prevention of money laundering and terrorism, and, if necessary, updates and supplements them, taking into account the newly emerged opportunities and information technology developments which would enable to prevent money laundering and terrorism even more efficiently.

Taking into account the increasing digitalisation and globalisation of financial services, a CCI supports the development of safe and innovative technical solutions that contribute to the combat against money laundering and terrorism, provided that those help to mitigate the risks relating to money laundering and terrorism and provided that the development of those would at the same time support the evolution of financial services.

In case relevant guidelines exist, the CCI, in preventing money laundering and terrorism, adheres to the advisory guidelines of the Financial Intelligence Unit and the Financial Supervision Authority and cooperates with them in all respects with regard to the latter.

4. Professionalism of the Staff

To ensure the sustainable operation of the financial institution and protection of customer interests, the CCI pays special attention to achieving a sufficient level of professional knowledge and skills of its staff.

FinanceEstonia will forward its members information and legislative news concerning the financial sector. The CCIs will keep their employees informed about such developments and, if necessary, ensure additional trainings to employees on topics concerning them.

Upon mapping, assessing and developing the competences of its employees, a CCI takes into account the existing professional standards relevant to its employees.

5. Consumer Protection and Advertising

CCIs follow the generally accepted principles of marketing. Among other things, a CCI does not use misleading advertising techniques, does not fail to publish important information and does not denigrate competitors.

A CCI makes every effort to ensure that the contracts and information materials to be forwarded to the consumer are easy to find and understand.

Provided that relevant guidelines exist, when advertising its services and products and undertaking activities for the protection of consumers, a CCI will follow the advisory guidelines of the Consumer Protection Board and the Financial Supervision Authority.

If the supervisory authority draws the attention of a CCI to the fact that its activities in relation to consumer protection or advertising of financial services do not comply with the applicable requirements, the CCI will make every effort to solve the problem and to bring its activities in line with the recommendations of the supervisory authority as soon as possible.

To collectively raise the awareness of market participants, the public and the consumers, and to ensure that the regulation

meets the interests of all relevant stakeholders, a CCI supports cooperation and open discussion with the Consumer Protection Board and the Financial Supervision Authority when it comes to matters concerning the CCIs. The cooperation is supported by CCIs independently and also through professional organisations.

6. Data Processing and Security

A CCI undertakes to adopt the principles concerning the processing of personal data and to publish those on its website. To ensure data security, the CCI undertakes to implement adequate organisational and information technology measures.

Provided that relevant guidelines exist, the CCI shall adhere to the guidelines of the Data Protection Inspectorate. If the Data Protection Inspectorate draws the attention of the CCI to the fact that the activities of the CCI do not comply with the current regulation, the CCI will make every effort to identify the reasons for the occurrence of the problem and solve the problem thereafter and bring their activities in line with the legislation in force as soon as possible.

7. Reporting

A CCI undertakes to disclose an overview of the economic results of the past calendar year on its website within six (6) calendar months following the end of each calendar year. The CCI has the right to choose the form of publication of the overview.

8. Settling of Complaints and Disputes

A CCI aims to avoid and prevent conflict situations when dealing with customers. However, if disagreements arise, the CCI will attempt, if possible, to settle those out of court and in an environment suitable for hearing the positions of both parties and striving for mutual understanding.

A CCI publishes the procedure of settlement of customer complaints on its website, whereas the latter must include an overview of the possibilities for submitting complaints, the anticipated deadlines related to the settlement of complaints, and the measures to be taken for the settlement of complaints.

9. Innovation

A CCI supports the innovation of financial services and the development and implementation of innovative solutions. While doing that, the activities of the CCI must be carried out with an understanding that the protection of the customers' interests, including the confidentiality of processing personal data, and mitigation of the risks to the financial sector must be ensured.

In support of the innovation of financial services, a CCI when possible, either independently or through professional organisations, will participate in the legislative process, for example, by helping to identify the need for amendments or reason the need for amendments to interest groups participating in the legislative process. Where necessary, the CCI contributes to drafting the appropriate wording for the regulation.

A CCI supports the cross-border development of financial services.

10. Sustainability

To ensure the trustworthiness of the CCI in the eyes of the customers and partners, as well as the overall stability and reliability of the market for financial services, a CCI organises its activities in a sustainable and long-term manner.

With regard to the above, the CCI has a sufficient number of appropriately qualified staff and adequate financial resources to meet its obligations to the customers and business partners.

11. Joining the Best Practice and Adherence thereto

When a CCI joins the Best Practice, FinanceEstonia will issue a respective label to the CCI which the CCI may use on its website and in its marketing materials.

At the request of FinanceEstonia, a CCI undertakes to provide FinanceEstonia, or a third party appointed by FinanceEstonia, with an overview of the circumstances relating to the adherence to the Best Practice in the form required by FinanceEstonia. Generally, the CCI provides such an overview in the form provided in Annex 1, however, FinanceEstonia has the right to request from the CCI also additional information in another form. Following the form provided in Annex 1, the CCI gives an overview of the compliance or non-compliance with the principles of the Best Practice. If a CCI that has joined the Best Practice fails to comply with any of the principles arising from the Best Practice, such non-compliance must be indicated and the reasons for non-compliance provided. Also, even if the CCI complies with the principles contained in the Best Practice, an overview must be given of the steps that the CCI has taken to comply with those principles. FinanceEstonia has the right to amend and update the report form provided in Annex 1.

A CCI to whom FinanceEstonia has granted the Best Practice label is required to publish the explanations provided to FinanceEstonia in the form provided in Annex 1 on its website together with a reference to the website where the Best Practice is available.

FinanceEstonia has the right to forward the information disclosed to it in relation to the Best Practice to third parties, including the right to publish the respective information on its website.

If FinanceEstonia becomes aware of a breach or alleged breach of the Best Practice, it identifies the breach or lack thereof based on the information available to FinanceEstonia. FinanceEstonia will thereafter ask the relevant CCI to remedy the breach. If regardless of the request of FinanceEstonia the CCI fails to remedy the breach, FinanceEstonia will with the decision of its management board prohibit that CCI from the use of the labels of the Best Practice. In addition, FinanceEstonia may exclude the CCI who refused to remedy the breach from among the members of FinanceEstonia. FinanceEstonia has the right to disclose information about the prohibition to use the Best Practice label and reasons relating thereto, including information concerning the grounds for the breach underlying the prohibition.

Annex 1 – The Report Form for the Best Practice of FinanceEstonia

Finance Estonia and Ellex Raidla do not guarantee the accuracy of the information supplied by the CCIs to FinanceEstonia or to other persons in connection with the Best Practice, or the information made available to the public by the CCIs, and is not responsible for the accuracy of the named information.

Annex 1 – Report Form for the Best Practice for Creditors and Credit Intermediaries



FinanceEstonia
**REPORT FORM FOR THE BEST PRACTICE OF
 CREDITORS AND CREDIT INTERMEDIARIES**

FinanceEstonia and Ellex Raidla have created the Best Practice for Creditors and Credit Intermediaries (the CCI) (the **Best Practice**) to regulate the activities of companies that have joined the Best Practice, particularly to the extent that is not regulated by legislation. The companies that adhere to the Best Practice are not exempt from legal requirements.

The Best Practice has been created based on the principle of comply or explain, which means that each CCI must confirm on its website to the public whether it complies or does not comply with the Best Practice. If a CCI that has joined the Best Practice fails to comply with any of the principles arising from the Best Practice, such non-compliance must be indicated and the reasons for non-compliance provided. Also, even if the CCI complies with the principles contained in the Best Practice, an overview must be given of the steps that the CCI has taken to comply with those principles. The relevant explanations must be provided following this report form.

This report is presented to FinanceEstonia each year when the CCI wishes to receive the Best Practice label issued by FinanceEstonia.

Name of the CCI:		
Add the name of the company applying for the Best Practice label.		
Date of the report:		
Add the date of the report.		
1. Self-Regulation (Clause 1 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle / reasons for non-compliance	Add suitable examples and/or explanations.
2. Responsible Lending (Clause 2 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle / reasons for non-compliance	Add suitable examples and/or explanations.
3. Prevention of Money Laundering and Terrorism (Clause 3 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle/ reasons for non-compliance	Add suitable examples and/or explanations.
4. Professionalism of the Staff (Clause 4 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle / reasons for non-compliance	Add suitable examples and/or explanations.

5. Consumer Protection and Advertising (Clause 5 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle / reasons for non-compliance	Add suitable examples and/or explanations.
6. Data Processing and Security (Clause 6 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle / reasons for non-compliance	Add suitable examples and/or explanations.
7. Reporting (Clause 7 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle / reasons for non-compliance	Add suitable examples and/or explanations.
8. Settling of Complaints and Disputes (Clause 8 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle / reasons for non-compliance	Add suitable examples and/or explanations.
9. Innovation (Clause 9 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle / reasons for non-compliance	Add suitable examples and/or explanations.
10. Sustainability (Clause 10 of the Best Practice)		
Comply / Do not comply	The steps that we have taken to comply with the principle / reasons for non-compliance	Add suitable examples and/or explanations.

FinanceEstonia or Ellex Raidla do not guarantee the accuracy of the information supplied by the CCIs to FinanceEstonia or to other persons in connection with the Best Practice, or the information made available to the public by the CCIs, and is not responsible for the accuracy of the named information.