



11 August 2025

Finance Committee of the Riigikogu
Lossi plats 1a, 15165
Tallinn, Estonia

Delivered electronically via: rahanduskomisjon@riigikogu.ee

Cc: Prime Minister of the Republic of Estonia Mr. Kristen Michal
riigikantselei@riigikantselei.ee

Cc: Finance Minister of the Republic of Estonia Mr. Jürgen Ligi
info@rahandusministeerium.ee

Re: The importance of Credit Cooperatives (*hoiu-laenuühistud*) in Estonia

Dear Finance Committee of the Riigikogu,

World Council of Credit Unions (WOCCU) learned of the draft Savings and Loan Associations Amendment Act that has been prepared and presented to the Riigikogu. Our understanding is that the proposed law will prevent new members from joining a credit cooperative and impose restrictions that will effectively end a credit cooperative's ability to operate in the Republic of Estonia. We are writing to express our sincere and urgent concern about this proposal and offer our strong support to ensure that credit unions have an enabling regulatory framework in Estonia so that they can operate safely to best serve the local community.

The credit unions and financial cooperatives across Europe play a vital role in the financial ecosystem. There are over 2,000 credit unions in the European Union with more than EUR 34 billion in total assets with almost 10 million members. The European Network of Credit Unions (ENCU) facilitates collaboration and the exchange of regulatory best practices among credit unions across Europe. WOCCU is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 82,000 credit unions in over 100 countries with USD 3.6 trillion in total assets serving over 400 million physical person members.¹ The global economic crisis in 2007-2009 has convincingly shown that credit cooperatives are the most crisis-resistant and sustainable financial institutions in the financial sector, thanks to their specific form of ownership.

Estonian Union of Credit Cooperatives (EUCC) has been a member of WOCCU since 2009 and has been participating in the work of ENCU since 2010. As we see it, the credit cooperatives that belong to EUCC are critical to the Republic of Estonia and the global credit union network. They play a vital role in providing local financial services, often by reaching the underserved and unbanked populations. We find it alarming that there is an effort to liquidate savings and loan

¹ World Council of Credit Unions, 2023 Statistical Report (2024), available at https://www.woccu.org/documents/2023_Statistical_Report_EN.

associations in Estonia. This is not the trend in Europe, nor is it the trend globally. In fact, the opposite is true – credit unions are growing globally.

WOCCU understands there are some financial institutions in the Republic of Estonia that are not following appropriate principles of a saving and loan association. We find this troubling because WOCCU strongly supports a robust registration, examination and regulatory oversight system to ensure financial institutions that are not properly operating are prevented from causing harm. According to EUCC, none of these financial institutions have ever been a member of EUCC.

Throughout Europe and worldwide, credit cooperatives, also known as credit unions and financial cooperatives, are necessary to support financial inclusion and stable local financial services. However, there are fundamental regulatory provisions that contribute to the success of credit cooperatives. The strongest systems globally and especially in Europe have a balanced regulatory framework that includes both supervision and permissible regulatory powers. Among these basic components are restrictions around which organisations are permitted to use the name “credit cooperative” and the ability for properly registered credit cooperatives to accept deposits from members.

In credit union regulatory systems worldwide, there are strict requirements to register and to be able to use the name credit cooperative or credit union. WOCCU and ENCU strongly support a regulatory framework that requires registration and appropriate criteria to label their organisations as a credit cooperative to prevent bad actors from impersonating this critical form of financial institution. Strong supervision to ensure organisations are working in the best interest of the community is also a core component to a regulatory framework. The regulatory requirements in Ireland are one example of this, which has specific registration and ongoing requirements to maintain its classification as a credit union in good standing.²

Accepting new deposits from members in the community and the ability to mobilize those deposits to lend money in the form of prudent loans to members of the community are critical to the financial well-being of Estonia. Credit cooperatives have a long history of accepting deposits from members. When there are challenges with specific credit cooperatives, there are several regulatory provisions that can help provide additional safeguards while still allowing strong credit cooperatives to accept deposits.

We are aware that EUCC has engaged with the Ministry of Finance over the years to find the best solution to avoid malicious market participants entering the market, including many regulatory proposals to the existing law and even introducing the institution of central cooperative of the credit unions. Unfortunately, none of these initiatives have been accepted by the Ministry of Finance of Estonia.

We encourage Estonian authorities to ensure a strong regulatory framework for credit cooperatives in Estonia – that is, one that allows credit cooperatives to operate and grow safely to serve their local communities. Allowing credit cooperatives to accept deposits with safeguards ensuring any organisations that use the label credit cooperative are properly following prudent practices is vital.

² Central Bank of Ireland, See Credit Union Act 1997, available at <https://www.centralbank.ie/regulation/industry-market-sectors/credit-unions/credit-union-handbook>

Thank you for your consideration of our comments. If you have any questions or require further information on regulatory provisions in other countries for credit cooperatives, please feel free to contact me at erinohern@woccu.org.

Sincerely,



Erin O'Hern
International Advocacy and Regulatory Counsel
World Council of Credit Unions