

YEARBOOK 2014



OVERVIEW OF THE WORK OF THE FINANCIAL INTELLIGENCE UNIT IN 2014

TALLINN 2015

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FOREWORD

The year 2014 in money laundering was eventful in so many ways. The work of the Financial Intelligence Unit (hereinafter the FIU) was influenced by several domestic and global changes. From the positive events, we can point out the successful defence of the report of Estonia on money laundering and terrorist financing prevention before MONEYVAL, the principal completion of the risk assessment process of money laundering in Estonia, as well as, for instance, formation of the Economic Crime Bureau in Central Criminal Police. At the same time, on the global level such events as the arising of a so-called Islamic country and rise of global extremism and extension of international sanctioning regimes in the nearby countries took place. The growth of extremism and of the concurrent terrorist financing in the world, as well as the increasing potential arise of intersection with these spheres in Estonia bring about the necessity of the FIU officials to become more familiar with these topics.

From major domestic changes we can point out a completely new sphere for the FIU – issue of authorisations. The companies formerly operating on the basis of the registra-

tion in the register of economic activities, held by the Ministry of Economics and Communication, are the FIU authorisation obligatory persons as from 01.07.2014. In relation to continuous development of e-services there has also arisen a more frequent necessity to assess situations related to the provision of services on the Internet – as an example may be pointed out the increasing popularity of cryptocurrency.

Cyber-crime is continually at the forefront as predicate offence to money laundering. At the same time we can point out as a fascinating fact the case in which, on the basis of a report of a criminal offence, submitted by the FIU, a criminal matter was commenced, among other, also under the section of manslaughter. In 2014 the first criminal matter under the section of terrorist financing was commenced on the basis of the information analysed and forwarded by the FIU. In 2014 possibilities related to e-residency were discussed and possible collateral risks were mapped in various working groups on several occasions.

The annual report will enlarge upon all these issues.



1. THE FINANCIAL INTELLIGENCE UNIT

The Financial Intelligence Unit (FIU) started operations on 01.07.1999, today it is a structural unit of Central Criminal Police of the Police and Border Guard Board. The FIU is a member of the Egmont Group, which assembles similar units of such states, whose activities correspond to international standards. The main task of the financial intelligence units is to obtain information regarding transactions with suspicion of money laundering and terrorist financing, to analyse such information and, in the event of identifying suspicion of criminal offence, to forward the information for making a decision as regards commencing pre-trial investigation. Such notices are basically sent by all persons who come across or may come across with possible suspicion of money laundering – above all the financial sector, such as banks and payment institutions, but also many others – for instance notaries, attorneys and auditors. In case of need, the FIU will impose restrictions on the use of property.

The uniqueness of the FIU lies in the fact, that persons, who are normally obligated to keep confidentiality of their clients, notify under certain conditions self-initiatively about certain clients and/or transactions even in such case if the information being forwarded is, for instance, information subjected to banking secrecy. The FIU shall retain the received information as confidential and shall forward to investigative bodies, prosecutor's office and court only the information needed for prevention, establishing and investigation of criminal offences. The FIU shall never disclose the notifying person. Investigative bodies and prosecutor's office establish money laundering in proceeded criminal matters, while the FIU establishes possible

money laundering cases on the basis of financial information from private sector.

The supervision over compliance with the requirements of the Money Laundering and Terrorist Financing Prevention Act is shared by the FIU, the Financial Supervision Authority over the persons acting on the basis of permits issued by the Financial Supervision Authority, and the Estonian Bar Association and the Chamber of Notaries over their members.

In addition to the above, the FIU also supervises the compliance by the subjects of the International Sanctions Act with the requirements of implementation of financial sanctions in accordance with the Act. With regard to international financial sanctions, the FIU is the central authority coordinating the performance of relevant sanctions, restricting the disposition of funds and assets if necessary, and granting, in case of need, an exceptional permit for making transactions subjected to sanctions.

One of the tasks of the FIU is also the issue of authorisations. These are authorisations to financing institutions which do not hold operation licence issued by the Financial Supervision Authority, as well as authorisations to trust fund and company, currency exchange, alternate means of payment and pawnbroker service providers and also to persons engaged in buying-in and wholesale of precious metals and precious stones. The tasks of the FIU also include tracing of criminal proceeds, cooperation with foreign FIUs, cooperation with investigative bodies and prosecutor's office, raising the awareness of general public and informers, misdemeanour proceeding and many other tasks.



2. THE YEAR 2014 IN THE MONEY LAUNDERING PREVENTION SYSTEM OF ESTONIA

2.1. MONEYVAL IV EVALUATION ROUND IN ESTONIA

The MONEYVAL IV Evaluation Round in Estonia, which was commenced in May 2013, continued in 2014. The completion of questionnaire was followed by the on-site evaluation visit of MONEYVAL valuers in November 2013. On the basis of the answers provided in the questionnaire and the results of the on-site evaluation visit the valuers drafted an evaluation report. Estonia defended the report successfully on September 18, 2014 in the European Council at the 45th Plenary Session of MONEYVAL. The Evaluation Round was completed by publishing the report of Estonia at the website of MONEYVAL¹. Pursuant to the decision made by the MONEYVAL committee of the European Council, Estonia has to report its developments at the Plenary Session of MONEYVAL in 2016.

The result of the IV Round report of Estonia was better than the IV Round reports of the majority of other states. In their conclusion the experts found, that the money laun-

dering and terrorist financing prevention measures in Estonia on a large scale meet the international standards. The valuers pointed out as a positive aspect, that Estonia has modified its legislation according to the recommendations provided in the previous round, is winding up the drafting of the domestic money laundering and terrorist financing risk assessment, and has signed the European Council Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. Among others, the terrorist financing prevention and the implementation of international financial sanctions in Estonia were appreciated. In the course of the evaluation, some drawbacks were established in Estonian regulations in relation with enactment of resolutions and decisions of the United Nations Security Council, in relation with removal of persons from the list of being sanctioned, and in relation with release of unlawfully frozen property.

¹ Available in English at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Estonia_en.asp

2.2. CONDUCTING OF FIRST MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT IN ESTONIA

In 2012 it was decided to conduct for the first time the domestic money laundering and terrorist financing risk assessment in Estonia. A working group comprising of multiple Estonian agencies responsible for money laundering and terrorist financing prevention, including the FIU as active party, was established for conducting the risk assessment. The process was coordinated by the Ministry of Finance. The risk assessment was conducted according to the methods of the World Bank.

The risk assessment, which was completed in the second half of 2014, provides expectations for more effective use of resources and for specification of relevant legisla-

tion, as well as for arranging priorities in the activities of authorities, handling first of all the bottlenecks with the largest impact. The result also promotes the supervisory bodies to implement more efficient risk-based supervision and the obligatory persons to understand better the obligations in risk-based implementation of diligence measures which derive from the Money Laundering and Terrorist Financing Prevention Act. The obligatory persons are notified about the risk assessment results at the trainings and counselling, the Ministry of Finance also publishes a summary of the risk assessment.

2.3. ADOPTION OF THE IV ANTI-MONEYLAUNDERING DIRECTIVE AND REGULATION ON INFORMATION ON ACCOMPANYING TRANSFERS OF FUNDS

On February 5th 2013 the Directive of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing² and Proposal for a Regulation of the European Parliament and of the Council on information on accompanying transfers of funds³ were published. The Directive transposes the standards on the prevention of money laundering and terrorist financing, which were published by FATF in 2012, and establishes additional measures for prevention of money laundering and other criminal offences (e.g. corruption, circumvention of taxes and terrorist financing) in the European Union, which are far more strict than the standards.

Estonia was represented in the proceedings of the draft legislation by the Ministry of Finances and it also gave re-

gular overviews at the commission, especially regarding the amendments which exceed the FATF standards, such as the commitment of the states to collect henceforth the data of actual beneficiaries of legal persons into registries, and the commitment of obliged subjects to apply reinforced diligence measures with regard to both internal and foreign Politically Exposed Persons. The Directive and the Regulation shall be presumably sanctioned and published in the first half-year of 2015. The Member States shall be obligated to transpose the Directive within two years from its enforcement.

² The draft Directive of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52013PC0045:EN:NOT>

³ The Proposal for a Regulation of the European Parliament and of the Council on information on accompanying transfers of funds, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52013PC0044:EN:NOT>

2.4. SUBSTANTIAL AMENDMENTS IN LEGISLATION IN 2014 FROM THE MONEY LAUNDERING PREVENTION ASPECT

Amendments to confiscation provisions of the Penal Code entered into force on March 8, 2014. By these amendments the prerequisites of extended confiscation were mitigated – when formerly extended confiscation could be applied on a person if imprisonment for a term more than three years was imposed on such person, then starting from the amendment, imposing of imprisonment for a term at least one year is sufficient. Since the enforcement of the amendments, confiscation can also be applied to property of legal entities. The terms for applying extended confiscation on third person's property in the case of criminal offence of first degree were also elongated (formerly five years starting from committing the criminal offence, now ten years). Application of extended confiscation became optional for courts, i.e. the court can decide in each particular case whether to apply extended confiscation or not. At that the court estimates whether there exist aspects which give reason to believe that the actual scale of living or living standard of a person does not comply with his or her legal income, or whether the nature of the committed criminal offence and/or former criminal offences is of such kind which enables gaining profit. Therefore the court shall estimate in each particular case, proceeding from certain aspects, whether there exists a need to apply extended confiscation. At the same time, the confiscation of the direct proceeds of crime is continually mandatory in each case.

On July 1st 2014 the amendments to the Money Laundering and Terrorist Financing Prevention Act entered into force. For certain subjects the former requirement of registration in the register of economic activities was replaced by an obligation to hold an authorisation issued by the FIU. This amendment was enforced in relation to the enforcement of the General Part of the Economic Activities Code Act.

On January 1st 2015 the amendments made in the course of revival of the Penal Code entered into force. The following amendments were made in the division concerning criminal offences relating to money laundering:

- Criminal organisation as a fact of legal assessment was excluded from clause 394 (2) 4) of the Penal Code. The

amendment does not mean that henceforth it is not possible to impose punishment on money laundering by criminal organisation. Sections 255 and 256 stipulate lliability for membership in and formation of criminal organisation. If any members of a criminal organisation have committed other criminal offences, then an aggregate of section 255 or 256 and the relevant criminal offence shall constitute. Therewith, the punishment may reach the maximum punishment of the more serious criminal offence (in the case of section 255 up to twelve years' imprisonment).

- One type of punishment imposed on legal persons – compulsory dissolution – was repealed. This is a civil law measure, which cannot be considered as punishment for a criminal offence. Therefore the draft legislation also made recurrent amendments to the sanctions of the corresponding necessary elements of offences, therefore section 394 presently also prescribes only pecuniary punishment as punishment to be imposed on a legal person.
- Sections 395 (failure to comply with identification requirement) and 396 (failure to report suspicious transaction, submission of incorrect information) of the Penal Code were repealed. After the repeal of the misdemeanour prejudice section 395 as well as section 396 will repeat the elements of misdemeanour (correspondingly, sections 57 and 61 of Money Laundering and Terrorist Financing Prevention Act) and therefore they are unnecessary. In both cases misdemeanour liability is sufficient.
- On July 1st 2014 the amendments of the Law Enforcement Act and the Money Laundering and Terrorist Financing Prevention Act entered into force, by which the activities of the FIU as well as the Financial Supervision Authority as state supervisory authorities were connected to the law enforcement system of the state and the system of state supervisory measures was adjusted and complemented.

3. OVERVIEW OF THE WORK RESULTS OF THE FINANCIAL INTELLIGENCE UNIT IN 2014

3.1. OVERVIEW OF THE REPORTS RECEIVED BY THE FIU AND THEIR ANALYSIS

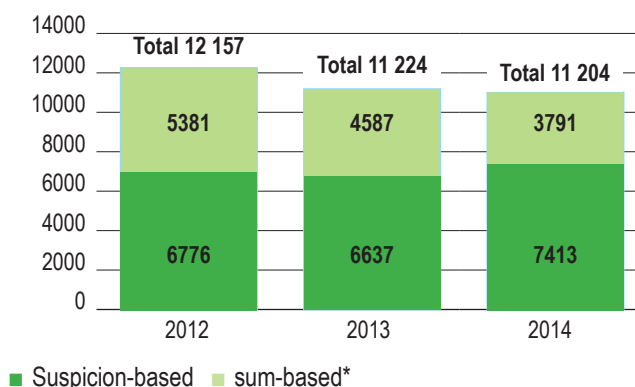
In 2014 the FIU received 11 204 reports, approximately two-thirds of these were suspicion-based (see chart 1).

From amongst the suspicion-based reports nearly 60% were transactions with suspicion of money laundering and nearly 31% were reports with suspicion of terrorist financing. The reason of big number of reports with suspicion of terrorist financing is the aspect that the financial institutions of certain type are obligated to notify the FIU about money remittances to countries with increased suspicion of terrorist financing.

According to the estimation of the FIU, the main reason for the decrease in the amount of reports in recent years is the increasing level of application of diligence measures

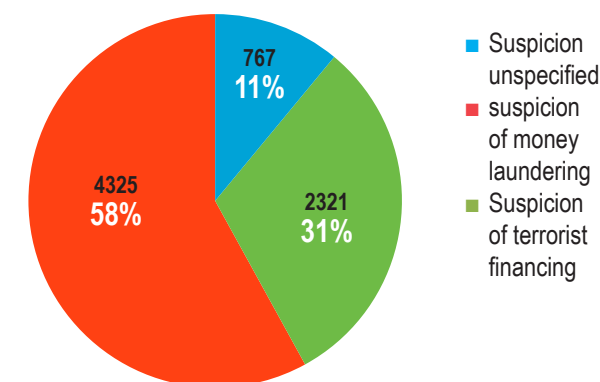
and the consequent so-called purification of the client basis. This has lead to the situation where more and more credit and financial institutions have excluded the servicing of such clients who are obviously committing suspicious and unusual transactions. The change in the proportion of sum-based and suspicion-based reports is due to putting the structure of sending the reports in order by the FIU and by the reporting institutions, as well as due to the decrease of cash withdrawals in large amounts through the providers of payment services. The phenomenon is also expressed by the decrease of the amount of cash being carried across the non-Schengen border.

CHART 1. The number of reports received by the FIU in the years 2012–2014.



Comment: * the sum-based reports include also those reports where suspicion was unspecified. In 2012 there were 6 reports of such kind, in 2013 the number was 9 and in 2014 the number was 16.

CHART 2. Division of suspicious transaction reports by reason of suspicion in 2012–2014.



Comment: the majority of the reports indicated as „suspicion unspecified“ were sent by FIUs of foreign countries.

Similarly to previous years, the biggest share of reports in 2014 was also sent to the FIU by financing institutions (70% of the reports) and by credit institutions (slightly less than 20%).

TABLE 1. Division of reports received by the FIU by groups of reporting persons in the years 2012–2014.

	2012		2013		2014	
	Reports	% of reporting persons	Reports	% of reporting persons	Reports	% of reporting persons
Financial institutions	8504	70	7856	70	7790	69,5
Credit institutions	2216	18,2	2055	18,3	1984	17,7
Other private undertakings	785	6,5	547	4,9	491	4,4
Professionals	165	1,4	233	2,1	198	1,8
State authorities	252	2,1	276	2,5	495	4,4
Foreign authorities	221	1,8	243	2,2	228	2,0
Other	14	0,1	14	0,1	18	0,2
TOTAL	12 157	100	11 224	100	11 204	100

Reports on suspicion of money laundering are sent predominantly by credit institutions and financial institutions. Most of the reports with suspicion of terrorist financing were sent by financing institutions in relation with

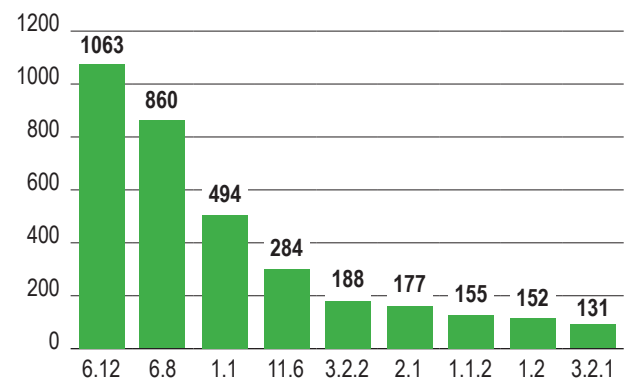
transactions made to countries with high risk of terrorist financing or made with persons originating from such countries. The majority of sum-based reports were also sent by financing institutions.

TABLE 2. Division of reports received in 2014 based on the ground and sender.

	suspicion unspecified	suspicion of money laundering	suspicion of terrorist financing	sum-based	TOTAL
credit institutions	10	1950	3	21	1984
financial institutions	10	2319	2296	3165	7790
organizers of gambling	14	5	18	417	454
persons making or mediating transactions with immovable properties	1	0	0	1	2
traders	1	0	0	24	25
persons engaged in precious metals and precious metal products	1	0	0	0	1
other private law undertakings	2	1	0	6	9
professionals					
auditors	0	0	0	22	22
providers of accounting services	2	0	0	2	4
notaries public	8	31	4	116	159
attorneys	4	0	0	1	5
bailiffs	3	0	0	1	4
trustees in bankruptcy	2	0	0	0	2
other providers of legal services	2	0	0	0	2
state authorities	464	16	0	15	495
foreign authorities	227	1	0	0	228
others	16	2	0	0	18
TOTAL	767	4325	2321	3791	11204

In 2014 the most common reason for reports with suspicion of money laundering was the fact that a person received or transferred (wished to transfer) money in a sum exceeding 2000 euros (see chart 3). The most common indicators of reports have not changed in recent years.

CHART 3. Main reasons for reporting in the case of suspicion of money laundering in 2014.



- Explanation:
- 6.12 the person makes remittance of money or the person receives a remittance of money in a sum exceeding 2000 Euros
 - 6.8 the person makes transactions to other persons in different countries, which does not conform to the client's usual activities
 - 1.1 suspicion of a fictitious person in case of a natural person
 - 11.6 with respect to the client there exists former suspicion of money laundering
 - 3.2.2 single unusually large cross-border payment not conforming to normal turnover and/or not sufficiently justified
 - 2.1. the person cannot explain the need for the service for the use of which the person called upon the credit or financial institution
 - 1.1.2 the person uses assistance in filling out documents or cannot fill them in
 - 1.2. suspicion of a legal person being a fictitious person
 - 3.2.1 single unusually large domestic payment not conforming to normal turnover and/or not sufficiently justified

In the case of reports with suspicion of terrorist financing, the dominant reasons for reporting in the year 2014 were transmissions to countries with high risk of terrorist financing or transmissions with persons related to such countries without opening an account.

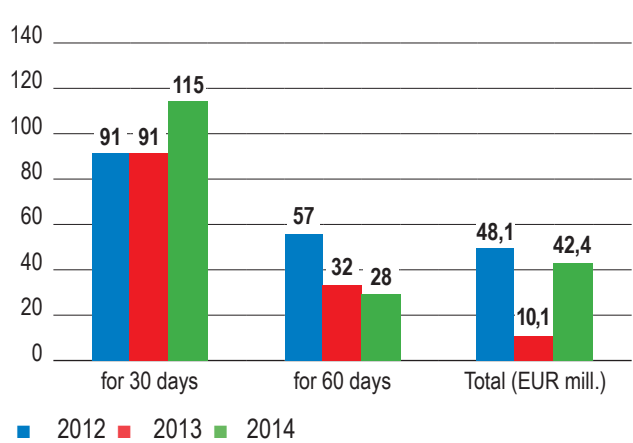
In 2014 the FIU restricted by its precept the disposal of assets on bank account or assets being an object of transaction, professional act or professional service for the term of 30 days all in all 115 times in total in the value of nearly EUR 42,4 million.

RESTRICTIONS ON DISPOSAL OF ASSETS

According to the law, the FIU has the right to suspend a transaction or restrict the use of assets in the case of suspicion of money laundering or terrorist financing.

In 2014 the FIU restricted disposals on bank accounts for 30 days in 115 times and for 60 days in 28 times, the total volume of the amounts subject to the restriction on disposal was EUR 42,4 million. Besides that, in 2014 the FIU restricted the disposal of three cars and two registered immovables.

CHART 4. Restrictions established by the FIU on disposal of bank accounts in 2012.–2014.



3.2 OVERVIEW OF THE MATERIALS FORWARDED BY THE FIU

In the case if the FIU finds, as a result of analysis, that there may be a case of money laundering or terrorist financing, then the FIU will forward the materials to other law enforcement authorities. In 2014 the FIU forwarded to other law enforcement authorities 252 materials, the majority of which were inquiries, responses to inquiries or materials sent for information. 38 materials were sent to make a decision as regards commencing criminal proceedings. As of 31.12.2014, in

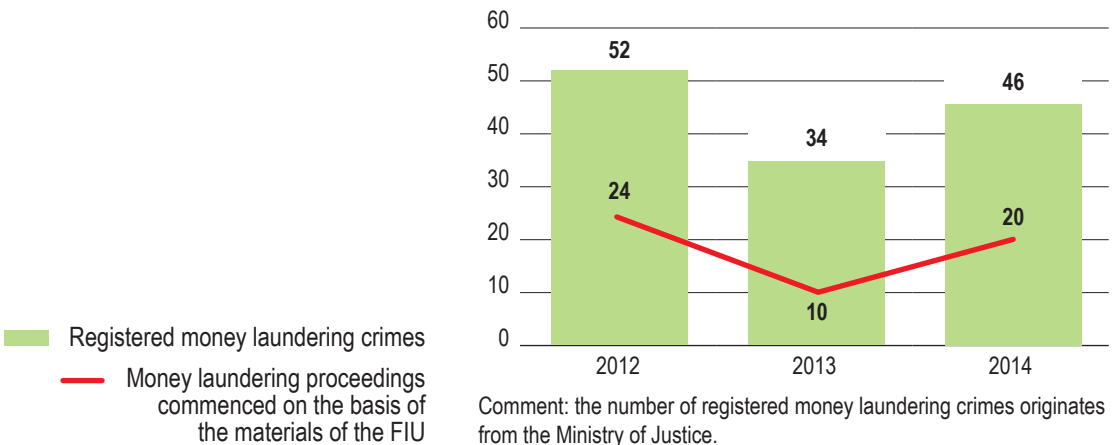
33 cases investigative bodies commenced the proceedings (in 20 cases on grounds of money laundering and in 13 cases on grounds of other offence section), in four cases commencement of proceedings was refused and in one case the existing materials were annexed to ongoing criminal matters. Among the criminal matters commenced according to features of money laundering, predominantly the presumable predicate offence was computer-related fraud.

TABLE 3. Materials sent by the FIU to law enforcement bodies in 2012–2014.

	2012	2013	2014
materials forwarded for investigation	788	463	252
to make a decision as regards commencing criminal proceedings	47	17	38
... criminal proceedings commenced as of 31.12.	41	12	33
... incl. money laundering proceedings commenced	24	10	20
to be annexed to a n ongoing criminal matter	50	74	38
responses to inquiries, sent inquiries, for information	691	372	176
... the amounts related to forwarded materials	280,9 mill	2,56 billion	147,6 mill
... the number of persons related to forwarded materials	2109	1764	941

As it can be seen from the Chart 5, the FIU gives a fine contribution to the proceedings of money launderings being commenced in Estonia. Among the 46 proceedings on money laundering, commenced in 2014, 20 proceedings were based on the information sent by the FIU to investigative bodies.

CHART 7. Total number of money laundering crimes registered in Estonia and number of money laundering proceedings commenced on the basis of materials forwarded by the FIU to investigative bodies in the years 2012–2014.



According to law, the FIU does not forward the reports received to investigative bodies or disclose the reporting person. However, statistics are kept by the FIU regarding reports serving as the basis for the forwarded materials. Similarly to the previous two years, the major part of the forwarded materials were based on information received from financial institutions, credit institutions and state authorities.

TABLE 4. Division of reports serving as the basis for materials forwarded to FIU by groups of reporting persons in the years 2012–2014.

	2012	2013	2014
credit institutions	380	269	155
financial institutions	1552	1350	716
organizers of gambling	12	16	37
persons making or mediating transactions with immovable properties	0	1	0
persons engaged in precious metals and precious metal products		1	0
professionals	16	24	16
... notaries public	15	24	16
... attorneys	1		0
state authorities	143	111	90
foreign authorities	23	12	14
other	56	32	22
TOTAL	2182	1816	1050

In the reports serving as basis of the forwarded materials the predominant indicators based on suspicion of money laundering are the aspect, that a person is making transfers, which do not conform to the person’s usual activities, and former suspicion of money laundering with regard to the person.

Explanation:

- 6.8 the person makes transfers to other persons in different countries which does not conform to the person’s usual activities
- 11.6 former suspicion of money laundering with regard to the customer
- 3.1.10 single major cash withdrawal or regular cash withdrawals also in smaller amounts from ATM
- 6.12 the person makes remittance of money or the person receives a remittance of money in a sum exceeding 2000 Euros
- 3.2.2 single unusually large cross-border payment not conforming to normal turnover and/or not sufficiently justified
- 3.2.8 single large payment (exceeding 15 000 Euros) or unusually frequent payments also in smaller amounts between the same participants, whereas other transactions indicating normal economic activities or client profile do not take place on the account

2/3 of the forwarded materials were based in the year 2014 on information arising from the sum-based reporting obligation, which clearly refers to the fact, that the provision of law, which was implemented in 2008, is important from the aspect of prevention of money laundering. One third of the reports used in the forwarded materials were sent to the FIU due to suspicion of money laundering and one percent due to suspicion of terrorist financing.

CHART 6. Division of reports used in the materials forwarded by their basis in 2014.

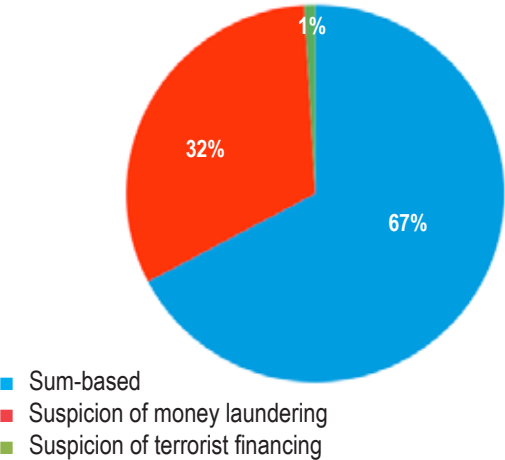
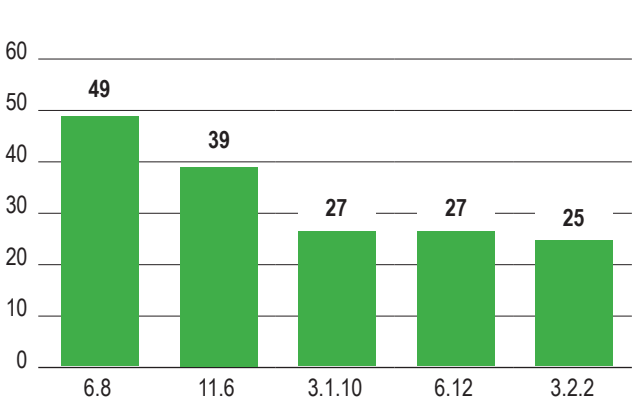


CHART 7. Prevalent reporting indicators of reports on suspicion of money laundering used as a basis for forwarded materials in 2014.



3.3. NATIONAL COOPERATION AND TRAINING

In 2014 the FIU has participated actively in various undertakings related to money laundering and terrorist financing prevention. In 2014 the compilation of the national risk assessment of money laundering was basically completed, the assessment was based on the World Bank methodology and several officials of the FIU were engaged in the compilation of the assessment. The compilation of the risk assessment took place by way of various theme modules and an official of the FIU was, for example, a leader of one theme module.

Besides the above, the FIU participated in the work of a governmental committee engaged in prevention of money laundering. Likewise, the FIU participated at several meetings with representatives of private sector (e.g. regular meetings of the money laundering working group of the Banking Association) as well as meetings with representatives of Ministries and authorities.

According to the Act, which entered into force in 2008, the supervision over money laundering and terrorist financing is shared by the FIU, the Financial Supervision Authority, the Estonian Bar Association and the Ministry of Justice, whereas the Ministry of Justice is permitted to delegate it to the Chamber of Notaries. The Chamber of Notaries and the Estonian Bar Association perform supervision over their members. The Financial Supervision Authority performs supervision over credit and financial institutions, which are acting on the basis of licences and operating licences issued by the Financial Supervision Authority. Based on the regulation provided by law, the supervisory agencies provide once a year an overview of their activities to the FIU. In 2014 the Creditors and Credit Intermediaries Act was adopted⁴, by virtue of which part of the spheres of activities formerly subjected to the authorising issued by the FIU will be transferred under the supervision of the Financial Supervision Authority in 2016.

Based on necessity and according to the rules set in cooperation agreements, exchange of information, organization of joint seminars and consultations are carried out between the supervisory agencies.

In 2014 one of the most important events was the evaluation of the money laundering prevention system of Estonia by the MONEYVAL money laundering commission of

In 2014 one of the most important events was the evaluation of the money laundering prevention system of Estonia by the MONEYVAL money laundering commission of experts of the European Union.

experts of the European Union. Estonia defended its final report in Autumn 2014 and resulted with high grades to Estonia for our money laundering prevention system. All authorities engaged in money laundering prevention in Estonia were involved in the preparation for the evaluation.

A very important role is also the cooperation with investigative bodies and prosecutor's offices, which is carried out daily for resolving incidents of crime.

The FIU pays great attention to arising awareness in this field. In 2014 the officials of the FIU carried out 9 trainings for nearly 460 participants. Trainings were conducted for teaching staff of institutions of higher education, colleagues from law enforcement authorities, as well as employees of various obliged subjects. The main theme for trainings was prevention of money laundering.

TABLE 5. Trainings carried out by the FIU in 2012-2014.

	2012	2013	2014
number of conducted trainings	19	10	9
number of participants	~ 620	~ 643	~ 460

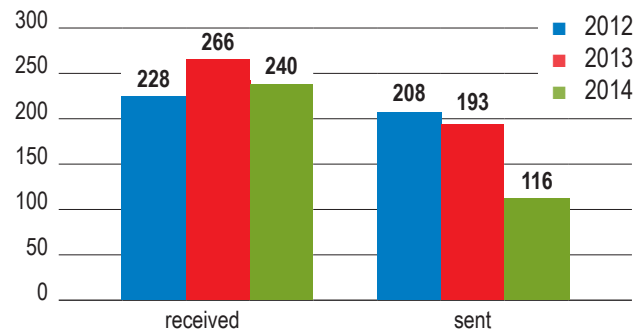
⁴ <https://www.riigiteataja.ee/akt/119032015004>

3.4. INTERNATIONAL COOPERATION

International cooperation is one of the pillars of the FIU of Estonia, because, for the purpose of hiding traces, money laundering is often carried out in several countries and prevention of such schemes requires supranational communication and exchange of information.

In 2014 the FIU received 240 and sent out 116 inquiries abroad.

CHART 8. The number of foreign inquiries received and sent by the FIU in 2012–2014.



Altogether, the FIU received in 2014 inquiries from 40 foreign states and sent inquiries to 30 foreign states. Most of the foreign inquiries were received from Latvia, Lithuania and Finland, while most of the foreign inquiries were sent to Latvia, Russia and Finland. The average time in the FIU for response to a foreign inquiry in 2014 was 11 days, which is one of the shortest in the world.

The foreign FIUs were granted permission to use information sent by the Estonian FIU in foreign investigative bodies in investigative or court proceedings in 289 cases.

In 2014 the exchange of information with the FIU of Moldavia became more frequent. A significant amount of inquiries were related to a money laundering scheme covering more than 20 billion US Dollars, which has been pending for years. On the basis of court judgments made by judges of Moldavia for bribe, persons residing in the Russian Federation transferred large sums for imaginary deals first to a bank located in Moscow, from where the funds were transferred to the accounts of next persons, which were opened mainly in one bank located in Latvia. Concurrently several

transfers from companies registered in low tax rate territories, which hold bank accounts in the named bank in Moldavia, were received by similar companies holding accounts in Estonian banks, either directly or via other states. Several articles concerning this money laundering scheme were published, among others, also by the Organized Crime and Corruption Reporting Project (OCCRP) formed of inquisitive journalists from several countries.

Another important trend of the international cooperation of the FIU in 2014 was the cooperation with colleagues from the FIU of the Ukraine. The intense cooperation concerns exchange of information regarding Politically Exposed Persons as well as major undertakings with Ukrainian background, under whose control are numerous companies predominantly registered in low tax rate territories, who have opened bank accounts in different Estonian banks. These companies are characterised by frequent, even up to eight-figured transfers from foreign countries, which are in many cases repeatedly transmitted to several bank accounts opened in Estonian banks to other similar companies registered in low tax rate territories. Finally the funds are transmitted from the bank accounts opened in Estonian banks to bank accounts of tens of different countries and often the recipients include tens of private individuals with typically Slavic names.

The rising trend in transactions with suspicion of money laundering is the use of companies registered in Estonia, board member of which shall be appointed to be a non-resident person, and owners shall be appointed to be non-resident individuals or a company registered in a low tax rate territory. Such companies have the characteristic that they are not registered as VAT taxable persons and they do not submit annual reports to the Tax and Customs Board, or the data provided in the reports is not even close to the transactions which have occurred on the bank account. Due to the fact that they do not submit any declarations to tax authorities, they are generally out of sight of the Tax and Customs Board. As they are legal persons registered in Estonia, then, upon opening bank accounts, several banks do not determine them as companies with increased risk level, as the case would be with companies registered in low tax regions, if they would make similar transactions.

Court judgments indicate that proceeding of such cases is problematic despite of the features referring to money laundering, as it is complicated to receive in due time confident evidence from foreign countries with regard to criminal origin of funds moving on the bank account. Often the only connection such cases have with Estonia is the company founded here and the bank account opened here. All the other information required for proceeding needs to be acquired from foreign countries.

In 2014 the FIU restricted the use of the properties located in Estonia of one Politically Exposed Person of a state which became independent from the Soviet Union, in total amount exceeding 20 million Euros. On the initiative of the FIU and in cooperation with partnership organisations

of several states, inspection proceedings were conducted and in September 2014 the State Prosecutor's Office commenced criminal proceedings with regard to the person, based on the elements of money laundering.

As international cooperation we should also point out the provision of expert assistance to third countries via international organisations such as: TAIEX, ÜRO, ESCE, CE-POL. For example, last year expert assistance was provided to the Ukraine three times by means of conducting thematic seminars on money laundering prevention; to Turkmenistan on topics of criminal proceeds and seizure of property; and to Kazakhstan in performance of national risk analysis. Such kind of cooperation raises the awareness of partners as well as the qualification of our own experts.

3.5. SUPERVISION

In 2014 the FIU performed in all 112 supervision proceedings. The main focus in supervision was set on companies providing financial services, such as loan providers, lease providers and pawnshops. More attention than previously was paid on providers of alternative means of payment, above all to the activities of mediators of Bitcoin. In relation with the amendments of law, which entered into force in July, the activities of persons engaged in buying up and in wholesale of precious metal products and precious stones decreased significantly, still, at the end of the year it was detected that the same persons continue new and potentially criminal schemes in mediation of “souvenir products” made of precious metals.

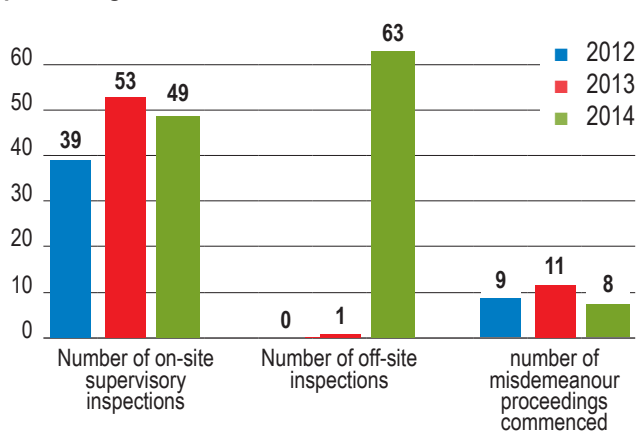
As a result of the inspections, 8 misdemeanour procedures were commenced and two reports of criminal offence were sent to prosecutor's office in relation to illegal economic activities and suspicion of money laundering.

In 2014 supervision proceedings based on off-site inspections were also renewed, in the course of which the inspections are performed by mail without performing on-site inspections. This year the off-site inspections based on the Money Laundering and Terrorist Financing Prevention Act were performed in 45 real-estate companies and inspections based on the International Sanctions Act in 15 credit institutions.

In 2015 application of supervision measures will be continued in larger amount with regard to undertakings sub-

jected to authorisation, more attention shall also be paid to auditors related to counseling of criminal organisations, providers of counseling services in accounting or taxation sphere and providers of company services. Likewise, it is planned to raise the awareness of traders with respect to performance of the requirements provided in the Money Laundering and terrorist Financing Prevention Act, and the awareness of persons having specific obligations with respect to performance of the requirements provided in the International Sanctions Act.

CHART 9. Supervisory inspections and misdemeanour proceedings in 2012-2014.



The biggest number of on-site inspections were carried out in pawnshops, financing institutions and with persons engaged in precious metals and precious metal products. In addition to supervising the performance of the requirements of the Money Laundering and Terrorist Financing Prevention Act, the FIU also supervised the performance of the requirements of the International Sanctions Act.

TABLE 6. Division of inspections carried out by the FIU in 2014, based on the spheres of activities of the inspected persons.

Sphere of activity of the inspected person	2014
Persons engaged in performing or brokerage of teansactions with real property	45
Financial institutions	17
Pawnbrokers	16
Credit institutions	15
Persons engaged in precious metals and precious metal products	8
Organizers of gambling	7
Traders	4
TOTAL	112

AUTHORISATIONS

Since July 2014 the following tasks were added to the FIU: to process applications for authorisations, to suspend or prohibit economic activities or to suspend or revoke an authorisation pursuant to the procedure set out in the General Part of the Economic Activities Code Act, taking account of the specifics of the Money Laundering and Terrorist Financing Prevention Act.

The FIU grants authorisations for the following areas of activity:

- operating as a financial institution ;
- providing trust and company services;
- providing currency exchange services;
- providing services of alternatiive means of payment;

- providing pawnbroking services;
- buying-in or wholesale of precious metals, precious metal articles or precious stones, except precious metals and precious metal articles used for production, scientific or medical purposes.

In 2014 the total number of petitions submitted for authorisation was 248, based on the applications 210 authorisations were issued and 4 authorisations were refused. The largest number of applications for authorisations was submitted by financial institutions – in total 140 authorisations.



4. COURT JUDGMENTS IN MONEY LAUNDERING CASES IN 2014

In 2014 Estonian courts made in all 22 court judgements (which have entered into force as of 1.01.2015), in which persons were convicted or acquitted in money laundering. From amongst the criminal proceedings commenced on the basis of the information sent by the FIU, 12 cases reached guilty verdict in 2014.

Following are the descriptions of some money laundering schemes, for participation in which persons were con-

victed in money laundering in 2014. Continually, the most frequent cases are those, in which persons are convicted for placing their bank account or identity documents at the disposal of criminals, or for helping criminals in withdrawal of money, received from computer frauds abroad, from banks. The FIU adjures everyone that helping in such acts is considered to be participation in money laundering and is punishable pursuant to criminal procedure.

MONEY LAUNDERING BY A BANKRUPTCY TRUSTEE

In 2014 a person A was convicted in the fact that the person appropriated, acting as bankruptcy trustee, property of bankrupts in total amount exceeding 44 000 Euros and turned it to his own benefit. The person A used different schemes for appropriation of property of bankrupts:

- withdrew money from accounts of bankrupts but failed to transfer it to the cash of obligors;
- transferred funds from bank accounts of bankrupts to the bank account of OÜ X;
- transferred funds from bank accounts of bankrupts to his own bank account;
- sold property of bankrupt, but let the sales revenue to be transferred to his own personal bank account.

In order to hide the illegal origin of the appropriated property, the person A transferred the funds acquired resultant of criminal offence to the bank account of OÜ X, which is a company related to him, and transformed the funds acquired through criminal offence into the property of third party OÜ X. These funds he used for purchasing a registered immovable for OÜ X. For this purpose he also used different schemes:

- paid funds from the cash of OÜ X to the bank account of OÜ X, however, the court established that the funds were not received from economic activities of OÜ X, instead, the funds were property of bankrupts;
- transferred funds from his own bank account to the bank account of OÜ X as owner loan.

The court convicted the person A in appropriation and in money laundering on a large scale basis and convicted OÜ X in money laundering.

MONEY LAUNDERING IN METAL TRADING

During the period of 2008–2013 a person A purchased from various persons metal items which were stolen, appropriated or deriving from crime. He did not identify the persons delivering the scrap metal and did not document the receipt of the metal, he lodged and stored stolen metal wares and distributed these to legal spots of buying-up metals. In all the person A handled the metals acquired through different offences in full amount exceeding 685 000 Euros.

In order to hide the criminal background of the metal and the illegal proceeds, the person A opened bank accounts in different banks to the names of figureheads, held the bank cards and codes of the figure-

heads in his possession, realized the metal acquired through criminal offences in the name of the figureheads to legal spots of buying-up metals and let the received consideration to be transferred to the bank accounts of figureheads. After the receipts to account, he by himself withdrew it or made other persons to withdraw it in cash from ATMs, paid to thieves of metal and other accomplices and used the remaining funds for personal needs.

The court found that the person A has committed money laundering on a large scale basis and by a group, imposed on him as punishment for money laundering three years' imprisonment and confiscated from him funds around 10 000 Euros.

A CASE IN PÄRNU

In 2013 West Prefecture jointly with Western District Prosecutor's Office sent to court one of the most sensational money laundering case of recent years in Pärnu, in which Pärnu County Court made on 12.03.2014 a judgement of conviction No. 1-14-1520 in a criminal offence of money laundering on a large scale basis, committed by Marko Talving.

In the summer of 2010 the FIU received information according to which persons of Estonian origin were engaged in embezzlement of funds from bank accounts of subjects of the United Kingdom of Great Britain and Northern Ireland, in appropriation of the funds received by fraud and in hiding the actual nature and illegal origin of the funds acquired by embezzlement, i.e. in money laundering. The investigation of this information included, among other, also imposing of restrictions on the bank accounts related to the transactions and resulted in preparing of a report of criminal offence to the Crime Bureau of West Prefecture.

According to the 12.03.2014 judgment of Pärnu County Court, Marko Talving was convicted in the fact, that he, acting as manager of the company, hid the criminal nature, origin, ownership and actual beneficiary of the funds acquired from criminal actions, which were the

funds embezzled under the pretext of purchasing shares and stock and which were later transferred to the bank accounts of Bluemount Partner OÜ and Paramaunt Invest Group OÜ. From the bank accounts of Bluemount Partner OÜ and Paramaunt Invest Group OÜ the funds were transmitted to Vox Bizness OÜ, who provided currency exchange services at that time, and from where the funds were transmitted to Eurex Capital OÜ and then the funds were withdrawn in cash. The withdrawn funds Marko Talving received in his possession and delivered to an unidentified citizen of Latvia called Marcis, who transacted the funds back to Great Britain. The funds on the bank accounts of Bluemount Partner OÜ and Paramaunt Invest Group OÜ, with respect to which the restriction was imposed, were confiscated for the benefit of the Republic of Estonia, as objects of money laundering, in total amount of 98 500 sterling.

In the course of the four years of proceeding the case, other necessary elements of criminal offences besides money laundering became evident. For example, by the Supreme Court judgement dated 12.06.2013, the judgement of Pärnu County Court, dated 19.11.2012 in the criminal matter No. 1-12-4098 entered into force, by which Kalev Männe and his company Vox Bizness OÜ were convicted in an attempt to bribe the investigator of the criminal matter.



5. SCHEMES OF MONEY LAUNDERING

5.1. ABOUT MONEY LAUNDERING, CYBERSPACE AND CRYPTOCURRENCIES

The rapid development of cyberspace sets new challenges to everyone – to its users as well as law enforcement bodies. While at first these opportunities were used mainly for exchange and search of information, then, presently a significant part of trade has also moved into cyberspace. According to the data of E-Marketer, the annual turnover of e-trade exceeded the limit of billion US Dollars in 2012. By the development of e-commerce the necessity for more convenient and handy forms and means of payment has arisen. That is how digital wallets and several digital means of payment appeared. By the end of the previous century, e-gold as well as webmoney had gained popularity and the use of PayPal payment system expanded. Besides the features important for users of e-commerce, simplicity and speed, they also had partial or seeming anonymity and total unregulatedness as a side product, which in itself flatters cyber-criminals. By the first five years of the new century some undertakings of Estonian origin, who started to provide the service of new digital means of payment, also reached the situation where large funds received from cybercrime were laundered through them. Terrorist financing incidents have also occurred. Such incidents not only spoiled the reputation of the undertakings, but of the whole state.

As in banks, the financial service providers did not necessarily provide this service knowingly in the interests of money laundering. Despite that the state had to undertake something to save its reputation and in 2008 the concept of alternative means of payment was introduced into the Money Laundering and Terrorist Financing Prevention Act and a restriction was set to allow provision of service to clients

In the second decade of the new century the so called cryptocurrencies, which are created by IT specialists who are mathematicians.

without so called eye-to-eye meeting with them in the amount up to 1000 Euros per month. The restriction was related to the fact that generally the money laundering transactions of cyber-criminals started from the sum 2000 Euros and the aim of the restriction was to brake their intention to use Estonian service providers in their criminal schemes. The measures taken by the state justified themselves. As of today, an additional obligation to apply for a corresponding authorisation on provision of the services has been established for the service providers. Provision of services without an authorisation is considered as provision of illegal services according to section 372 of the Penal Code.

In the second decade of the new century the so called cryptocurrencies, which are created by IT specialists who are mathematicians, and which differ from their predecessors by the fact that they have no caution money in whatever form, except the elegant beauty of mathematical constructions, began to spread convivially. At the moment there are more than 500⁵ such currencies, they appear and disappear constantly. As a means of payment they are usable in

⁵ See <http://coinmarketcap.com/all/views/all>

the form of social unwritten agreement, which has appeared as a result of advertising by the creators and the enthusiasts who believe them, and where the momental price is determined by the proportion of supply and demand of the agreed means of payment at the free market. Although cryptocurrencies have repeatedly proved their inadequacy as replacement of real money in practice, there are still enough enthusiasts hoping that somewhere in the future cryptocurrency can grab the place of real money in global economy and they develop the idea so much as possible. However, when the sense of reality is weakening, the risks concurring with the use of alternative means of payment are being forgotten.

The Estonian state has not prohibited such solutions, still, it has protected itself against possible risks on reputation. The users of cryptocurrencies are divided into three groups: traders, clients and service providers. The traders accept, in their own risk, cryptocurrencies among other means of payment when selling their goods and services. Usually they try to sell the cryptocurrencies, received as means of payment, quickly through any service providers in order not to become bankrupt due to their high volatility. Service providers are the companies which publicly offer purchase and sale service of cryptocurrencies with the purpose to gain profit by such activity. Estonian legislation also provides diligence obligations with respect to them. First, an authorisation must be acquired for provision of the services in Estonia. Secondly, the service providers must comply with the requirement that the amount of transactions of one person will not exceed 1000 Euros per month. If a client wishes to make a bigger transaction, then the client's identity shall first be established at an eye-to-eye meeting. Besides these, there are no other restrictions prescribed by law.

Clients, meaning individual enthusiasts, buy, use, dig or sell cryptocurrencies in the form of single transactions according to their desires and possibilities, bearing all the risks by themselves. Still, if they offer publicly the purchase and sale service with the purpose to gain profit, they turn into service providers and the above named obligations stipulated by law expand to them.

What are the risks the clients should take into account when using cryptocurrencies? First it must be stated, that the rapid enrichment period is over. The investor must be

very careful not to lose what he has. The price fluctuation of cybercurrency can reach up to 2–3% daily or 20–30% weekly. Secondly, digging has become so labour-consuming that often the expenditure exceeds the possible income. Thirdly, the system in itself does not protect the sellers of cryptocurrency against fraudulent buyers, who can obtain sufficient anonymity for themselves by TOR⁶ and other means, and pay for purchased cryptocurrency to the unsuspecting seller with stolen money (even directly from the victim's bank account). In such case the seller of cryptocurrency must return the stolen funds and he is entitled to request from the purchaser either the recovery of the cryptocurrency or disbursement of money, if he manages to find the purchaser. Otherwise he has to bear the loss from the transaction.

In addition, we can point out the present attractiveness of cryptocurrencies among criminals – consumers of services of Silk Road, one of the best known „black market“ for drugs, which operated on the internet, used bitcoins, which provide seeming anonymity, actively for their payments. The FBI closed the website and according to the estimation the annual turnover of this market in 2012 was 15 million US Dollars. The amount was constantly increasing. In two years the agency fees of black market solely were estimably more than 600 000 bitcoins in the amount nearly 80 million US Dollars. The drugs sold were paid in bitcoins in total value more than 1,2 billion USD⁷. In the course of investigation it was managed to confiscate bitcoins in total value nearly 4 million USD⁸.

And finally the question: if the service is provided in cyberspace, then, where is the service provided, under the legislation of which state? This question is especially important for the consumer who is cheated by some way. Who will help? It is equally important for law enforcement authorities who will provide assistance. This is a difficult and disputable question. We encourage to contact law enforcement authorities if there is any connection with Estonia: for example IP- or physical address, means of communication or bank account.

⁶ See <http://www.torproject.org/>

⁷ See [http://en.wikipedia.org/wiki/Silk_Road_\(marketplace\)](http://en.wikipedia.org/wiki/Silk_Road_(marketplace))

⁸ See <http://www.forbes.com/sites/andygreenberg/2013/10/02/end-of-the-silk-road-fbi-busts-the-webs-biggest-anonymous-drug-black-market/>

5.2. THE PHISHING-SCHEMES ARE CONTINUOUSLY POPULAR

Most of the materials sent by the FIU to law enforcement authorities in 2014 were connected with computer-related fraud, meaning, transfer of funds received by fraud to bank accounts of different persons, from where they were withdrawn in cash by using various schemes. 25 materials sent were connected with computer fraud, according to the preliminary analyses by the FIU, in 15 of them the embezzled funds originated from Germany, in three cases from Italy; England, the U.S. and Croatia had connections with two cases and Holland with one case.

Several simple and complicated schemes are being used for money laundering of the embezzled funds. For example, the funds are first transferred to bank accounts, the data of which have formerly been obtained feloniously. Likewise, criminals are buying bank account data from persons who are in difficult economic situation and wish to earn money thereby. Embezzled funds have been transferred to bank accounts of private individuals as well as legal persons. In the most simple cases the owner of the bank account himself or herself withdraws the funds received to his or her bank account and delivers the funds to the organiser of the criminal offence. In more complicated cases the funds are „twirled“ between different private individuals and bank accounts of legal persons.

The funds are being withdrawn from the accounts in cash either in Estonia or in neighbouring states, mostly in Latvia. There are also cases when cash is withdrawn through undertakings providing such service. If a holder of an

account himself or herself has sold the right to use his or her bank account and bank card, then the funds received to the account by fraud will be withdrawn by third persons already, who do not actually have such rights. The liability for transfer of funds received by fraud will still remain also with the actual holder of the account because sale of the account data is not an activity permitted by law.

In 2014 there became more frequent such cases where persons were contacted by e-mail and were offered a job, then these persons were used for withdrawal of funds from the victims' bank accounts, access to which was obtained by phishing. The job offers were very different – starting from the position of regional financial manager of a foreign company up to travel agent. In short, these cases always ended in such way, that sooner or later funds were transferred to the bank accounts of those persons and the persons were asked to withdraw these funds in cash and to transfer to a private person in a foreign country by using a cash transfer company.

In 2014 the first phishing-type criminal offence was committed, in which the victim was an owner of a foreign bank account, from whose account funds were stolen and a mediator of bitcoins was searched from a forum in order to receive the funds. The mediator was operating in Estonia and he was put under impression that the funds will be transferred by the owner of the account who wishes to purchase bitcoins. After the receipt of the funds the bitcoins were transferred to the so called buyer.

5.3. OTHER INCIDENTS WITH SUSPICION ON MONEY LAUNDERING, DETECTED BY THE FIU IN 2014

In 2014 the FIU sent to law enforcement authorities for further investigation several materials in which it was found as a result of preliminary analysis that this can be a case of money laundering.

For example, one scheme involved Estonian, Latvian and Lithuanian companies which performed transfers between themselves. The analysis of the FIU indicated that these could be apparent export transactions which enable

refund of VAT from the state. The movement of the funds started from one Estonian company, to which it was received back in a round through neighbouring states.

The FIU also analysed a case in which a civil servant was involved in presenting fictitious invoices. Numerically there are not so many cases with suspicion of money laundering, proceeded by the FIU, still, the rising trend can be noticed.

One of the cases analysed by the FIU was related to cross-border cash-in-transit. The family A brought cash illegally from Russia and purchased coins for that money, whereas the coins were taken back to Russia for sale.

In 2014 the first criminal matter on investigation of terrorist financing was commenced on the basis of the materials of the FIU.

As a fascinating fact we can also point out the case in which on the basis of a report of a criminal offence, submitted by the FIU, a criminal matter was commenced under the sections of manslaughter and embezzlement. Probably there are quite a few FIUs over the world, which, in the course of financial analysis, have found aspects referring to possible manslaughter.

5.4. „EMPLOYMENT PORTALS“ „INTERNET LOVE“

The FIU warns about job offers, the actual aim of which most probably is to engage persons into money laundering schemes. Initiators of schemes contact persons looking for job by e-mail and offer a job in a foreign company. Persons looking for job are sent a correctly prepared job description and employment contract in English. Usually the offered duties include withdrawal of funds which will be received from abroad to the employee's bank account and transfer of such funds to some private person, as a rule, to Russia or the Ukraine.

The FIU is aware of several cases where persons looking for job have accepted such offers. All these cases have been the issues of criminal funds received by computer-related fraud. The FIU points out that performing such duties is an offence and is punishable.

The FIU is warning about imposters who are contacting persons on the internet either through social networks or by e-mail and are introducing themselves as single persons looking for pen-friends. After the contact has been established, the manipulators are able to create a very positive image of themselves and within a few weeks the victim is convinced that he or she has found a soulmate or even love of his or her life. Often the imposters use false photos and profiles and leave an opinion as being, for example, a US soldier on a mission in Central-Africa. Generally the communication is performed via e-mails or also via Skype, although, when communicating via Skype, the usual allegation is that the person is in an area of poor connection and therefore video call is not possible. When the criminals consider the victim to be „done“, then they will make up a legend and ask for money. For example, they say that an accident has occurred and they urgently need a loan for treatment in a hospital. Similarly, they can ask money due

The FIU is warning about imposters who are contacting persons on the internet either through social networks or by e-mail and are introducing themselves as single persons looking for pen-friends.

to short-time financial difficulties, for example, for a plane ticket for coming to live in Estonia and to marry the victim. There is an unlimited number of different legends and believable reasons.



6. INTERNATIONAL FINANCIAL SANCTIONS

Tõhe FIU is a competent body with regard to international financial sanctions.

The sanctions, which had the biggest impact on Estonian persons in 2014, were the new established sanctioning regimes, in total five regimes related to the following:

- restrictive measures directed against certain persons in relation with the situation in the Ukraine;
- territorial entirety, sovereignty and independency of the Ukraine;
- destabilizing activities of Russia in the Ukraine;
- illegal annexing of the Crimea and Sevastopol, and
- the situation in Yemen.

Estonian persons have had less intersection with the last sanctioning regime.

The sanctions related to the situation have, for the first time, brought the application of sanctions actually close to Estonian persons (above all, to the financial sector). While in the previous years the majority of the reports contained checking of wrong-positive name equivalents, in which cases, as a rule, it was established that the person was not subject to sanctions, then, starting from 2014 the situation has changed.

The new sanctioning regimes in relation with the situation in the Ukraine and the so far small practice in applying international financial sanctions have caused roughness in app-

lication of new sanctions. As an example, we can point out a case when the restriction provided in the basic document of a sanction stipulates terms which are not specifically defined and which generate difficulties in their interpretation.

In 2014 the FIU received 21 reports in relation with possible international financial sanctions. In 2013 the number of such reports was 9.

In 2014 one credit institution actually applied a restriction for application of international financial sanction. This was the case of a company registered in Estonia, which was owned by and under control of a person enclosed in the sanctions list. Whereas the ownership as well as the control function were performed through legal persons registered outside the European Union, then it was possible to change the ownership as well as the control function, which resulted in the lapse of the grounds for application of restrictions. It was a company registered in Estonia, the activity of which in Estonia was production.

In 2014 the FIU performed supervision of credit institutions with regard to the compliance with the requirements of the International Sanctions Act. The FIU published in 2014 the guide for application of the international financial sanctions⁹.

⁹ See <https://www.politsei.ee/et/organisatsioon/rahapesu/juhendid/>

7. A LOOK INTO 2015

In the first half of 2015 the **fourth directive on money laundering and terrorist financing prevention** will be published. Within two years from publishing the directive the Member States must adopt the necessary amendments in their domestic regulations. In comparison with the current regulations, the main amendment will apparently be the application of diligence measures regarding the Politically Exposed Persons also with regard to the domestic persons carrying such status. Whereas until now the requirements of strengthened diligence measures were applicable with regard to foreign Politically Exposed Persons, then, from now on many people will fall under this category, as the named status will also expand to the family members and close business partners of the above named persons. The states shall also be obligated to register the actual beneficial owners.

In addition to the fourth directive, the working plan of the ministries for the next years also includes **the ratification of the Council of Europe Convention on laundering, search, seizure and confiscation of the proceeds from crime and on the financing of terrorism**. The main focus of the Convention is directed to quick access to financial information and to exchange of such information on the international level.

In 2015 a new Act will enter into force – **the Creditors and Credit Intermediaries Act**, by reference to which a part of the financing institutions operating on the basis of an authorisation will be subjected to the obligation to apply for an authorisation from the Financial Supervision Authority and the conditions for receiving of such authorisation will be more strict than the present ones.

The year 2014 will go to history with the appearance of the so-called Islamic country, when a group of extremists declared the worldwide caliphate on June 29. The distressful growth of extremism and the fact that people from many countries, including also from Estonia, have accepted the Islamic religion and have gone to fight for the so-called Islamic country, carries the necessity to set the focus more than before to the terrorist financing issues.

There are no big changes foreseen in money laundering trendlines. One of the possible factors for changes in schemes is the **continuous rise of popularity of cybercurrencies** and the attractive, yet often seeming anonymity offered by them. As a look into the future, we can estimate, that cyber-related crime, above all, phishing-type crime will remain as one of the main predicate offences of money laundering. The FIU will certainly come across transactions referring to money laundering in tax crimes. Besides these, there are signs of a certain trend concerning illegal business activities as well as corruption. The major focus of money laundering prevention in next years will be the combating against the schemes which use Estonia as a transiting country for laundering of funds proceeded from cyber-related criminal offences as well as in relation with eastward fund movements. Distressfully the scenarium has become to realize itself, where companies easily founded in Estonia, the direct substantive connection of which with Estonia is not considerable, have more and more become made use of in schemes where movements of major amounts through the financial system of Estonia is taking place through the bank accounts of companies founded for that purpose, and which actually do not have any other principal relation with Estonia. The owner(s) and (sole) manager of the company are foreign residents and the possible predicate criminal offences as well as the use of the money being laundered are taking place outside Estonia. The FIU finds a possible additional risk factor to this tendency to be the possibilities related to the e-residency. The e-residency creates to foreign persons a bigger opportunity to gain access to the undertakings and financial environment of Estonia, which unfortunately provides the same opportunities also to such persons who are aimed at taking advantage of the new opportunities for committing criminal offences and money laundering. These risks should be taken into account and analysed when developing the e-residency and its possibilities, and the hedging measures of potential risks need to be elaborated and implemented.