



REPUBLIC OF ESTONIA
FINANCIAL INTELLIGENCE UNIT

2021 Financial Intelligence Unit Annual Overview of International Cooperation

April 2022



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SUMMARY

The survey provides an overview of the foreign inquiries and spontaneous information disclosures made by the financial intelligence units and law enforcement agencies of other countries to the Estonian Financial Intelligence Unit (FIU) in 2021. In 2021, the FIU received **468 foreign inquiries and 205 spontaneous information disclosures (totalling 673) from 57 countries**. There were no major changes in the inquiring countries or in the nature of the predicate offences compared to 2020.

The most frequent international communication was held with **Germany** (130, or 19% of all foreign inquiries and spontaneous information disclosures) and with neighbouring countries – **Latvia** (70, or 10%), **Finland** (65, or 10%), **Lithuania** (56, or 8%) and **Russia** (27, or 4%). Compared to previous years, the number of spontaneous information disclosures sent from **Malta** to the FIU increased significantly (in 2021, a total of 61 foreign inquiries and spontaneous information disclosures, or 9%; in 2020, or 2%). These six countries sent **61%** of all foreign inquiries and spontaneous information disclosures to the FIU in 2021. Of the top five countries, Germany, Finland, Latvia and Lithuania broadly overlap with the countries that sent requests for mutual legal assistance and European Investigation Orders (hereinafter: applications for mutual legal assistance) to the Police and Border Guard Board (PBGB) and to the Tax and Customs Board (TCB). The top five countries sending the applications to the PBGB and the TCB also include Poland, and the PBGB includes Belarus as well. The applications by Malta for mutual legal assistance have not been executed by the TCB and the PBGB has only executed one.

The dominating presumable predicate offences in the foreign inquiries and spontaneous information disclosures are **fraud (65%)** and **tax evasion (10%)**, where the share of fraud increased compared to 2020 (50% at that time). Fraud was the most common presumable predicate offence in the inquiries made by 25 foreign countries. In 32% of the cases, the predicate offence was not known. The applications for mutual legal assistance sent to the PBGB show a similar picture: 74% are related to fraud, followed by criminal proceedings in money laundering, 8%, and drug offences, 4%. The same is also shown by money laundering criminal cases pending at the PBGB in the period of 2015–2021, where 92% of cases involved fraud as a predicate offence, most of them computer fraud.

The foreign inquiries sent to the FIU were in 2021 dominated by the so-called **recent cases**: in nearly 60% of the cases, information was requested about the events in 2021; in less than a tenth of the cases, the presumable predicate offence or transaction had taken place in 2020 and in one-third of the cases before 2020. In 56% of the cases that occurred before 2020, the predicate offence was not identifiable.

53% of the files of foreign inquiries were related to the fact that the **payment account or funds were located in Estonia** and in 45% of the cases, this was the only connection with Estonia. The legal persons established in Estonia were related to 36% of the files in total, where in 17% of the cases, the Estonian legal person was the only connection with Estonia. Estonian citizens and/or residents were a link connecting to Estonia in only 9% of the cases. These data indicate that foreign inquiries are mainly related to non-residents, who use the payment accounts and legal persons established in Estonia.

In 2021, colleagues from foreign countries requested or sent the most information **about the accounts opened by foreign payment service providers in Estonian credit institutions (16%**

of the foreign inquiries and spontaneous information disclosures), **VIBAN accounts (14%)** and **virtual asset service providers with an Estonian activity licence**. Of the foreign inquiries sent to the PBGB, the number of enquiries concerning the VIBAN accounts of foreign payment service providers and virtual asset service providers amounted to 25% in the first nine months of 2021.

The most common type of money laundering in the foreign inquiries sent in 2021 was the **transfer of funds obtained by fraud to the IBAN account of a foreign payment service provider or virtual asset service provider** and the subsequent transfer thereof through the respective service provider's platform. According to the PBGB, a third of the fraud cases about which applications for mutual legal assistance have been sent to Estonia are related to the Estonian bank accounts of foreign payment service providers. In 2021, **Germany** was the country to send the largest number of foreign inquiries to the FIU about such schemes, where 53% of the 127 inquiries and spontaneous information disclosures received concerned the VIBAN account opened in Estonian credit institutions.

In 2021, the number of inquiries received from **Malta** increased significantly (90%) (8 foreign inquiries and 53 spontaneous information disclosures in 2021), of which 19% concerned virtual asset service providers with an Estonian activity licence. Malta provided various types of information, including about the transactions of the customers of a bank that has ceased its activities in Estonia by now, and the activities of e-residents and online casinos.

14% or 61 of the foreign inquiries were related to **virtual asset service providers with an Estonian activity licence**, which was a 2% **increase** compared to the previous year. In the first nine months of the year, this share was 11% in the applications for mutual legal assistance requests executed by the PBGB. Information was requested from the FIU about **30** virtual asset service providers with an Estonian activity licence, and five of them no longer have the licence. In the foreign inquiries sent to the PBGB, information was requested about the customers of **26** Estonian virtual asset service providers. At least two-thirds of the virtual asset service providers with an Estonian activity licence and inquired about **had no real service provision or economic activity in Estonia**. 58% of the cases concerning the customers of virtual asset service providers were related to fraud, and only two of the foreign inquiries were related to an Estonian citizen. The cases described in the foreign inquiries mainly show use of wallets opened with virtual asset service providers with an Estonian activity licence to conceal the origin of suspicious or criminal assets.

By the end of 2021, a total of **381** Estonian activity licences had been issued for the provision of virtual asset services, which according to unofficial statistics accounted for nearly **55%** of all world licences. As the FIU often sees criminal offences a few years after the time they were committed, there is an even greater time-lag before they appear in front of the public. Consequently, the inquiries of other financial intelligence units to Estonia are expected to increase in the next few years.

14 or 3% of the foreign inquiries were related to **seven company service providers with an Estonian activity licence**. The main reason for this is the use of legal entities established by these company service providers in transactions suspected of involving money laundering. The connection of company service providers with foreign inquiries is in fact greater, as they often play an important role in establishing companies for the provision of virtual asset services and in applying for an Estonian activity licence. Foreign inquiries concerned **21** different company service providers with regard to virtual asset service providers with an Estonian activity licence.

Based on the information received from foreign communication, the risk of the Estonian financial system being used to finance terrorism is rather low. Vulnerability is increased by the virtual asset service providers that have shortcomings in the implementation of their due diligence measures. In 2021, the FIU received **10** inquiries concerning suspected **terrorist financing**. Four of these were related to a **virtual asset service provider with an Estonian activity licence**. Three inquiries concerned the financing of Eastern Ukraine separatists. Two inquiries were cases where a person with a radical background moved smaller sums of money.

The financial volume of the criminal offences reported in the foreign inquiries to the FIU in 2021 was **1.33 billion euros, of which less than half passed through Estonia**¹. In the case of 473 million or **44% of the funds** described in the inquiries, **the presumable predicate offence is not known to the FIU**. In case of funds in the amount of 208 million euros, or **41%** of the funds that passed through Estonia, **the predicate offence was not known**. Most of the funds of unknown origin were related to the cases concerning a Latvian bank that has by now ceased its activities, which involved transactions dating back years ago.

The cases addressed in the foreign inquiries concerned transactions between 2008 and 2021, where the total estimated value passing through the Estonian financial system was **642 million euros**, of which 174 million euros or **27% passed through the virtual asset service providers with an Estonian activity licence**. In laundering the presumable proceeds of **fraud**, **160 million euros passed through Estonia**, of which 140 million or **88% were funds moved through virtual asset service providers with an Estonian activity licence**. Of the alleged **tax crimes**, 15 million euros were passed through Estonia and 8 million euros from Latvia. Latvia is followed by Kazakhstan, Russia and Malta, with 2 million.

Most of the information in foreign inquiries indicates that in Estonia, the assets received from abroad go through the **layering phase**, meaning the performance of activities related to concealing the origin of the criminal assets. 90% of the analysed foreign communication cases confirm that **Estonia is a transit country in the movement of funds suspected of being involved in money laundering**. The same is the case with the applications for mutual legal assistance sent to the PBGB. Most of the funds suspected of being involved in money laundering are placed into the financial system from a foreign country and moved through Estonia during the layering phase and the integration phase, i.e., the assets are put into legal transactions in a foreign country.

According to the Financial Supervision Authority, up to 120 million euros of criminal proceeds are generated annually from domestic crime and could be laundered. However, the turnover of cross-border payments by banks operating in Estonia (86.2 billion euros in 2021) and the volume of transactions mediated through virtual asset service providers with Estonian activity licence (20.3 billion euros between July 2020 and July 2021) are several times higher, indicating **a higher risk in cross-border money laundering**. A cross-border risk is also shown by the money laundering criminal cases pending at the PBGB in the period of 2015–2021, where in 89% of the cases, predicate offences were committed in foreign countries.

¹ The survey describes the financial volume as the total volume related to the cases (1.33 billion euros) and the volume of the funds moved through Estonia (642 million euros).

INTRODUCTION

In the prevention of money laundering and terrorist financing, the exchange of information between financial intelligence units is very important as money laundering schemes are cross-border in nature in most cases, and in the layering phase, criminal proceeds are being moved through different countries. The data received from foreign communication help understand Estonia's connection to cross-border money laundering.

The international cooperation of financial intelligence units in the field of money laundering distinguishes between two forms of information exchange: foreign inquiries and spontaneous information disclosures². The sender awaits a response to a foreign inquiry, but not to a spontaneous information disclosure. A spontaneous information disclosure is made when there is the opinion that the information could be of assistance for the financial intelligence unit of the recipient country in its analyses and risk assessments.

A casefile is opened based on a foreign inquiry sent to the FIU, and the required data are assembled and an analysis made to respond to the foreign financial intelligence unit that sent the respective inquiry. As further information on the case or transactions becomes evident from the casefiles, a more comprehensive overview of Estonia's role in cross-border money laundering is developed.

The survey provides an **overview of the risk picture** based on the **inquiries** and **spontaneous information disclosures** sent to the FIU in 2021: the typologies, geographical risks, presumable predicate offences, connections of the persons involved in the cases with Estonia, and financial volumes. In the survey, we draw comparisons with the FIU's 2020 survey on international cooperation³. In addition to the data provided by the FIU, the data from the international communication of the PBGB and the TCB have also been used in the survey.

² Financial intelligence units also send messages through cross-border dissemination (XBD), which are of informative nature and are not the focus of this survey.

³ 2020 Financial Intelligence Unit Annual Overview of International Cooperation. Financial Intelligence Unit, 2021. [<https://fiu.ee/media/121/download>]

1. FOREIGN COUNTRIES THAT HAVE SENT INQUIRIES

In 2021, the FIU received **468 foreign inquiries and 205 spontaneous information disclosures**, making a total of **673** (Figure 1) In 2021, the number of foreign inquiries received by the FIU was on a level comparable to 2020, but the number of spontaneous information disclosures increased nearly twice. One of the reasons for the increase was related to the information disclosures from Germany, Lithuania and Malta concerning the funds moved through virtual asset service providers with Estonian activity licence.

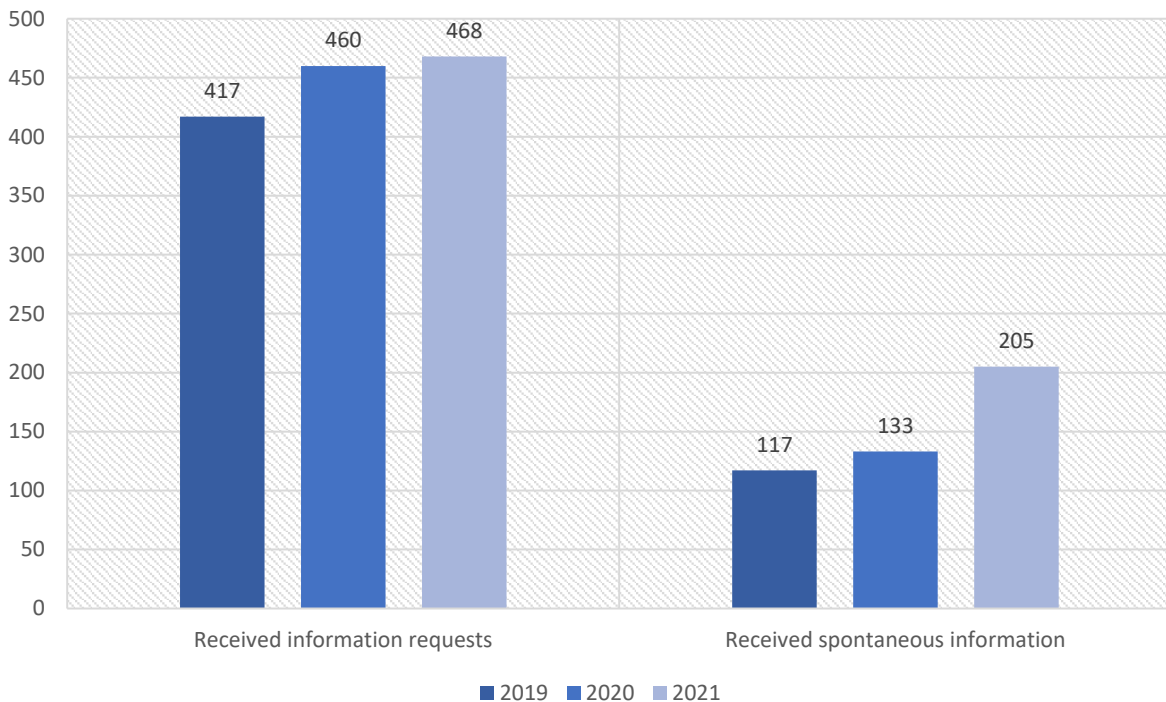


Figure 1. Number of foreign inquiries and spontaneous information disclosures received by the FIU in 2019–2021

In total, the FIU received foreign inquiries and spontaneous information disclosures from **57 countries**, including all 26 EU Member States. Most frequent international communication was with **Germany** and with **neighbouring countries – Latvia, Finland, Lithuania and Russia** (Figure 2). Compared to previous years, the number of spontaneous information disclosures from **Malta** to the Estonian FIU increased significantly. These six countries sent **61%** of all foreign inquiries and spontaneous information disclosures to the FIU in 2021. The top five countries that sent foreign inquiries are as follows: Germany (70, or 15% of the foreign inquiries), Finland (60), Latvia (60), Lithuania (37) and Russia (25). Compared to 2020, the top five has remained the same.

Data from the **PBGB and TCB** show a picture similar to the FIU – **among the countries sending the inquiries, nearby countries prevail**. In 2021, the PBGB received 841 applications for mutual legal assistance from 45 countries, most of them from Germany (172, or 21% of all), Finland (135, or 16%), Poland (89, or 11%), Latvia (84, or 10%) and Belarus (75, or 9%). This top five was clearly distinguished; other countries sent less than 4% of the total number of applications for mutual legal assistance.

In 2021, the TCB received a total of 131 applications for mutual legal assistance from 12 countries, most of them from Finland (36, or 28% of all applications) and Latvia (36, or 28%), followed by Poland (20, or 15%), Lithuania (12, or 9%) and Germany (11, or 8%). More than 90% of the inquiries were sent in the criminal proceedings concerning tax offences and the rest were mostly related to smuggling. According to the TCB, schemes are common where Estonian companies are used for the transit of tax fraud money.

The top five countries are partly similar in the case of the FIU, the PBGB and the TCB. Germany, Finland, Latvia and Lithuania overlap with the countries sending applications for mutual legal assistance to the PBGB and the TCB. In the top five of the PBGB and the TCB, Poland stands out, and Belarus for the PBGB. The applications by Malta for mutual legal assistance have not been executed by the TCB and the PBGB has only executed six. Russia also stands out, having sent few applications for mutual legal assistance to the PBGB. 83% of the applications for mutual legal assistance from Poland executed by the PBGB were related to fraud, where fraudulent funds were moved through the accounts opened with Estonian credit institutions and through the virtual asset service providers having an Estonian activity licence. 8% of the applications for mutual legal assistance from Poland were related to money laundering. All applications for mutual legal assistance from Belarus were related to fraud, where, as a whole, data of the owners of Estonian telephone numbers were requested.

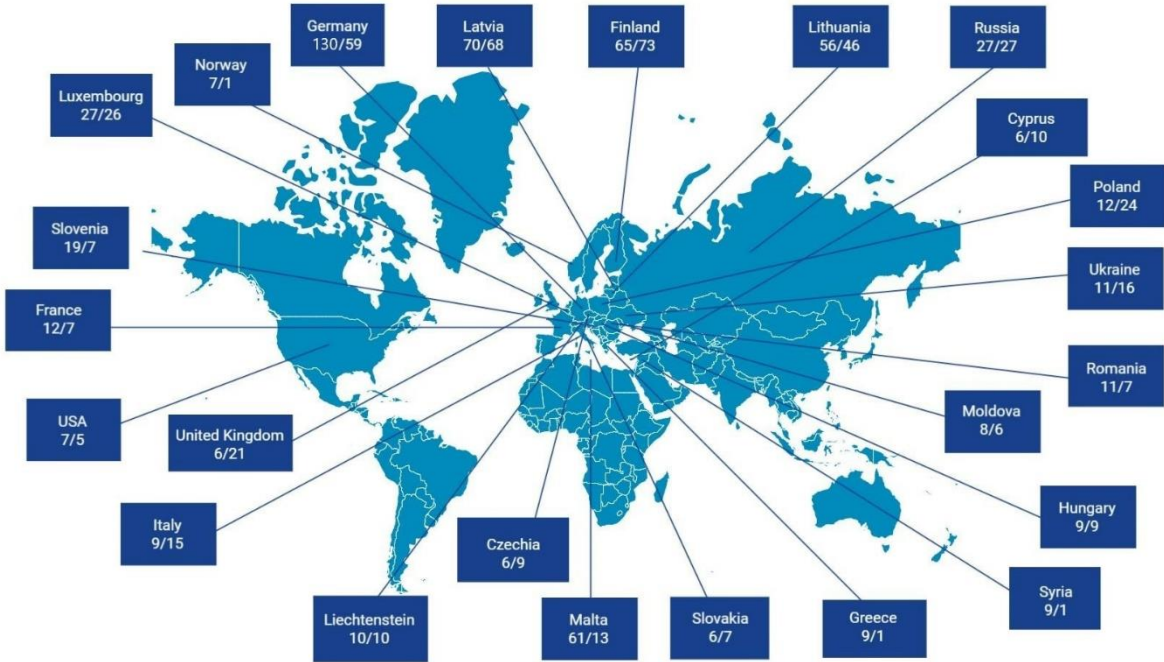


Figure 2. The 24 countries that sent more than 5 foreign inquiries or information disclosures to the FIU in 2021 (2021 count / 2020 count)

The reason for the significant increase in the receipt of information from **Malta** was the increase in spontaneous information disclosures. 96% of the foreign inquiries sent by Malta concerned the activities of Estonian legal entities, and a quarter concerned e-residents. 19% of all foreign inquiries and spontaneous information disclosures sent by Malta were related to the customers of the virtual asset service providers with an Estonian activity licence, and

16% were related to fraud. In addition, suspicious transactions and the activities of online casinos also set a tone in international communication with Malta.

The foreign inquiries made by **Germany** were mostly related to fraud, where the money was deposited to the Estonian (VIBAN⁴) bank accounts of foreign virtual asset providers, converted into cryptocurrency and sent to a foreign country through the respective payment service provider's platform. The same trend is confirmed by the data of the PBGB from 2021: Of the applications for mutual legal assistance sent from Germany, 92% were related to fraud and 6% to money laundering, where the proceeds of crime have been deposited to the Estonian bank account of a foreign payment service provider or virtual asset service provider.

Of the foreign inquiries and spontaneous information disclosures received from **Latvia**, 62% concerned the money laundering case of a Latvian bank that has ceased its activities by now, and in Estonia mainly concerned three banks, two of which have ceased their activities in Estonia. The information received from Latvia mainly concerned transactions from a year ago, where the origin of the funds was unclear and Estonia was a transit country. Of the 28 cases where money moved from Estonia to Latvia, 27 were related to the money laundering case where activity had been ceased as mentioned above. 74% of all cases of foreign inquiries involving an unidentified predicate offence were related to this case. Of the inquiries sent from Latvia to the PBGB, 67% are related to fraud and 23% to money laundering.

Of the foreign inquiries and spontaneous information disclosures received from **Lithuania**, 27% concerned the customers of virtual asset service providers with an Estonian activity licence. This is due to the fact that many service providers have opened a payment account in Lithuania. In terms of predicate offences, communication with Lithuania mainly concerned fraud (57% of the inquiries received), which involved virtual asset service providers with an Estonian activity licence or an Estonian account of a foreign payment service provider (similarly to Germany). In the inquiries sent to the PBGB from Lithuania, fraud is also predominant (78%), with half of the cases being related to the Estonian accounts of foreign payment service providers or to virtual asset service providers with an Estonian activity licence. There was only one application for mutual legal assistance relating to money laundering.

32% of the foreign inquiries and spontaneous information disclosures received from **Russia** were related to Estonian companies, including 21% with Estonian companies that have an Estonian activity licence to provide virtual asset services. 29% of the foreign inquiries from Russia were related to embezzlement, 24% to fraud and 18% to drug offences. The PBGB received 1% of all the applications for mutual legal assistance received from Russia, and half of these, or five, were related to fraud and one inquiry with money laundering.

Of the foreign inquiries and spontaneous information disclosures received from **Finland**, 32% concerned the suspicious or criminal funds deposited to the VIBAN accounts opened in Estonian credit institutions. 69% of the inquiries received from Finland were related to fraud, where the proceeds of crime were deposited to the Estonian account. 16% of the inquiries were related to drug offences, which varied in their connection with Estonia and in their typology. 45% of the applications for mutual legal assistance sent to the PBGB from Finland were related to fraud, 18% to drug offences and 12% to tax fraud. The data of the PBGB do not show a strong connection with the accounts of foreign payment service providers, but

⁴ Outside the banking system, the VIBAN account operates just like an ordinary IBAN account, but within the bank it is rather the internal payment reference number.

rather with Estonian private individuals. Of the applications for mutual legal assistance sent to the PBGB, 4% were related to money laundering.

Compared to 2020, newcomers in the top ten of foreign partners are **Slovenia** (19 foreign inquiries and spontaneous information disclosures) and **France** (12). The majority of the information from both Slovenia and France relates to the bank accounts of foreign payment service providers in an Estonian credit institution that have received fraudulent funds. The same is seen from the applications for mutual legal assistance sent to the PBGB. In addition, virtual asset service providers with an Estonian activity licence also set a tone in the foreign inquiries of these countries.

2. CONNECTION OF THE FOREIGN INQUIRIES WITH ESTONIA

59% of the criminal offences or events supposedly linked to a criminal offence reported in foreign inquiries had started in 2021 and 32% before 2020. The rest of the events took place between 2020 and 2021. In 56% of the cases that occurred before 2020, the predicate offence is not identifiable.

A third of the foreign inquiries and spontaneous information disclosures sent to the FIU in 2021 were related to the **VIBAN accounts of foreign payment service providers and virtual asset service providers opened in Estonian credit institutions, where funds suspected of criminal origin have been deposited**. In the majority of cases, the presumable predicate offence was fraud.

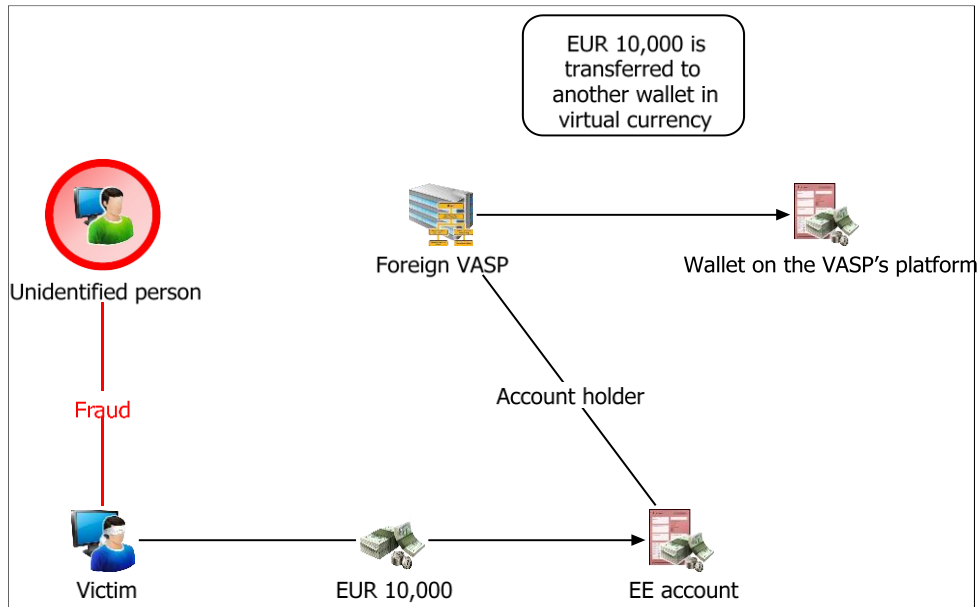
The share of foreign inquiries related to **virtual asset service providers with an Estonian activity licence** increased from 42 (12%) in 2020 to 61 (14%) in 2021. Most of the complaints regarding virtual asset service providers with an Estonian activity licence were received from Germany, Lithuania, Russia and France. Of the applications for mutual legal assistance sent to the PBGB, 9% were related to the customers of virtual asset service providers with an Estonian activity licence in 2020 and 11% in the first nine months of 2021. The most inquiries were received from Poland, Germany and the USA.

In the foreign inquiries, information was requested about 30 virtual asset service providers with an Estonian activity licence, and five of them no longer have the licence. In the applications for mutual legal assistance sent to the PBGB, information was requested about 26 Estonian virtual asset service providers. At least two-thirds of the virtual asset service providers with an Estonian activity licence did not actually provide services in Estonia, and 65% were related to e-residents.

14 (3%) foreign inquiries were related to a total of seven **company service providers with an Estonian activity licence**. The connection of company service providers with foreign inquiries is in fact greater, as they often play an important role in establishing companies for the provision of virtual asset services and in applying for an Estonian activity licence. There are 21 different company service providers related to the virtual asset service providers with an Estonian activity licence involved in the foreign inquiries.

The most frequent (53%) connection with Estonia in the foreign inquiries made in 2021 was the location of the payment account or funds in Estonia, where in 45% of the cases, this was the only connection with Estonia, which means that the funds have been passed through Estonia as transit. This is due to both inquiries concerning the VIBAN accounts of payment service providers and the overall cross-border nature of money laundering offences. For example, a citizen of country A establishes a company in country B with a bank account in country C to launder the criminal proceeds earned in country D. In 45% of the casefiles of foreign inquiries, the location of the payment account or funds in Estonia was the only connection with Estonia.

The general trend appearing from the FIU's foreign communication is illustrated by the following scheme, which characterises a large proportion of the fraud cases. In a foreign country, money is being embezzled from a person and transferred to a virtual asset service provider's bank account in Estonia. On the VASP platform, the money is converted into virtual assets and transferred on to another wallet (e.g. on another platform).

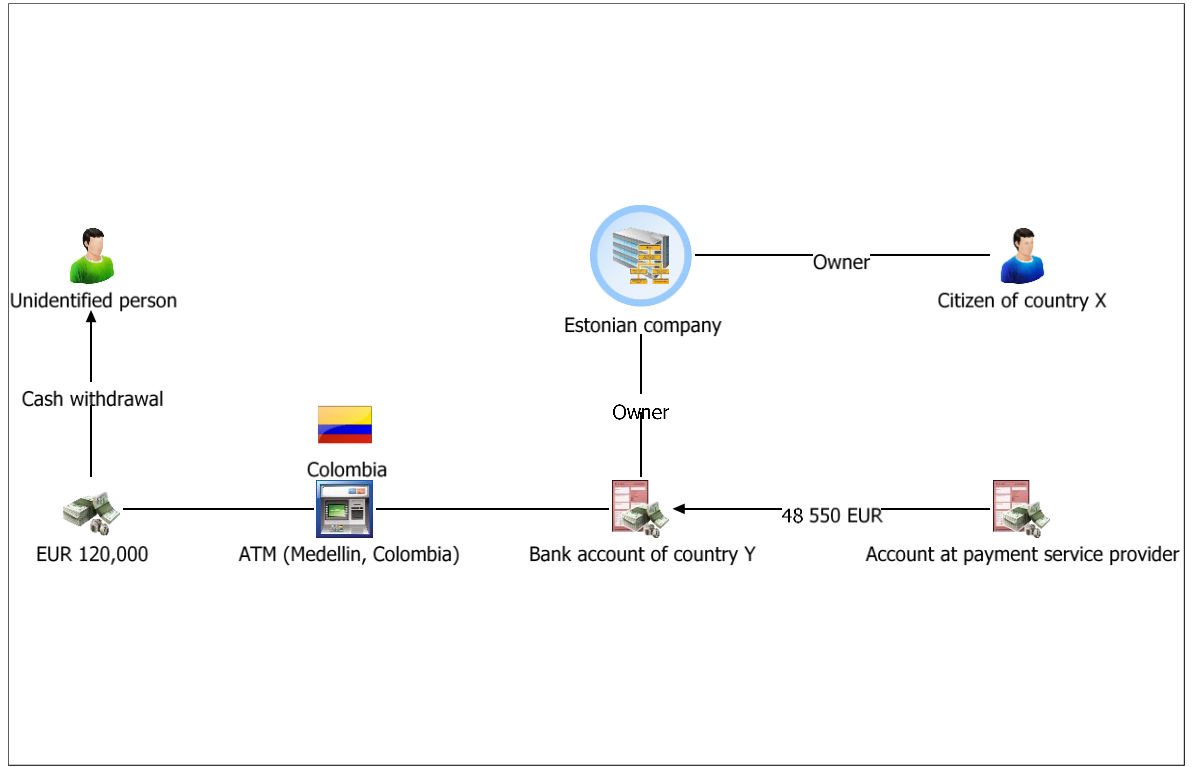


In total, the analysis of the foreign inquiries and spontaneous information disclosures sent to the FIU in 2021 revealed links with 1,947 persons, half of whom were legal persons. Address information was available in the FIU's database for 996 or 51% of the persons involved in the foreign inquiries, and 350 of them had an Estonian address. In addition to Estonia, there were addresses in 70 other countries related to the persons. After Estonia, the largest number of the addresses were in the United Kingdom (62), Malta (59), Germany (59) and Russia (37). 68 persons had a FATF "grey list"⁵ address.

In one-third of the cases, the connection of the foreign inquiries with Estonia has been the use of an Estonian company. The legal persons established in Estonia were involved in 36% of the cases in total, where in 17% of the cases, the Estonian legal person was the only connection with Estonia. Estonian citizens and/or residents were a link connecting to Estonia in only 9% of the cases. These data indicate that foreign inquiries are mainly related to non-residents, who use the payment accounts and legal persons established in Estonia. According to the TCB, schemes are common where Estonian companies are used for the transit of tax fraud money. The FIU's overview shows schemes in which an Estonian company is controlled by a foreign person and the company has, either in Estonia or abroad, accounts that are used to move funds of suspicious or criminal origin.

⁵ Jurisdictions under Increased Monitoring - March 2022. FATF, 03.04.2022. <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-march-2022.html>

The case given in the scheme below shows the weak connection of many foreign inquiries with Estonia. The FIU received an inquiry from a European country in a case where funds were deposited by a payment service provider to the bank account opened in a foreign country by a company established in Estonia. The Estonian company belongs to another foreign citizen according to whom, the account was opened with the aim of purchasing securities from Latin American companies. The company established in Estonia was in the given case the only connection with Estonia.



3. PRESUMABLE PREDICATE OFFENCES AND THE MONEY LAUNDERING PHASE

A casefile is opened based on a foreign inquiry sent to the Estonian FIU, and the required data are assembled and an analysis is made to respond to the foreign financial intelligence unit that sent the respective inquiry. In 2021, the FIU opened **361 files of foreign inquiries**. A single file may contain several foreign inquiries and spontaneous information disclosures related to a specific case.

The dominating presumable predicate offences in foreign inquiries and spontaneous information disclosures are **fraud (65%)** and **tax evasion (10%)**, whereas the share of fraud increased compared to 2020 (50% at that time). When we look at the files opened for foreign inquiries (Figure 3), predicate offences are dominated by **fraud**: 47% of all files and 65% of the files where the predicate offence was known. The number of cases concerning fraud increased in 2021: in 2020, a total of 50% (62 files) of the files of foreign inquiries involving identified predicate offences were related to fraud. Fraud was the most common presumable predicate offence in the inquiries made by 25 foreign countries. The data in the applications for mutual legal assistance sent to the PBGB show a similar picture for fraud – 74% of the applications for mutual legal assistance are related to fraud. The same is also shown by the money laundering criminal cases pending at the PBGB in the period of 2015–2021, where 92% of cases involved fraud as predicate offence, and most of the cases involved computer fraud. The share of drug offences in foreign inquiries is similar in the data of the FIU and the PBGB (4%). Tax fraud accounts for 2% of the applications for mutual legal assistance sent to the PBGB. According to the mutual legal assistance requests to the PBGB, nearly 32% of the fraud cases are related to the Estonian bank accounts of foreign payment service providers. In the foreign inquiries sent to the FIU, 31% of all fraud is related to the accounts of virtual asset service providers or payment service providers opened in Estonia.

8% of the applications for mutual legal assistance sent to the PBGB were related to the **criminal cases concerning money laundering in 19 countries**, with 19 inquiries (29%) from Latvia, 11 inquiries (17%) from Germany, 10 inquiries (15%) from Poland and five inquiries (8%) from Finland.

Tax fraud was a predicate offence in 25 files of foreign inquiries, which accounted for 10% of the cases identified as predicate offence (24% in 2020). Most of the files of foreign inquiries concerning tax fraud were opened on the basis of the inquiries from Lithuania, Latvia, the Czech Republic, Russia and Malta.

The share of other predicate offences in the 2021 files of foreign inquiries was considerably smaller. Examples of “other crimes” in Figure 3 include smuggling, homicide, arms trafficking, false reporting, organised crime, theft of intellectual property, and computer crime. In 27% cases of files of foreign inquiries, the predicate offence was not identifiable. The largest share by far of the predicate offences that could not be identified was in the files opened based on foreign inquiries from Latvia, where the predicate offence was not known in 39% of the cases.

Corruption is not evident from the data of foreign inquiries as a predicate offence (only 1%). With regard to predicate offences, corruption rate should, however, be higher, but some

countries do not investigate the corruption offences committed by high-level public officials, which is why this does not appear in international communication.

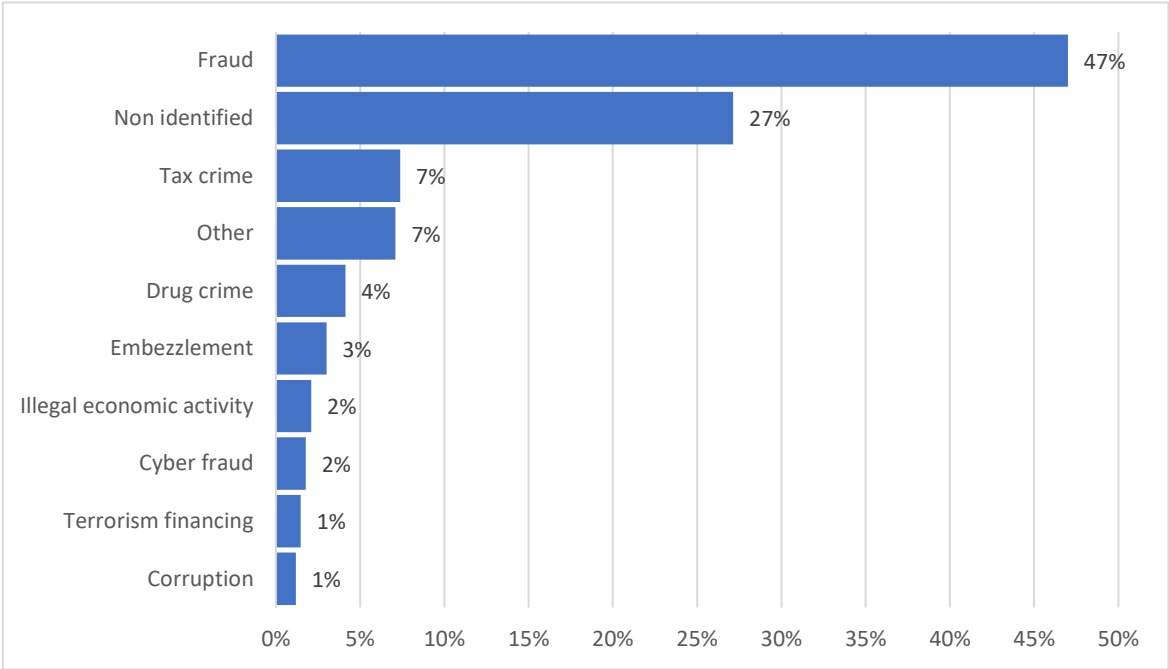


Figure 3. Presumable predicate offence in the files relating to foreign inquiries sent to the FIU in 2021

The largest number of files of foreign inquiries with suspicion of fraud were opened in connection with the inquiries from **Germany** (45 files, 30% of all files involving suspicion of fraud). Fraud was the most common predicate offence cited in the foreign inquiries of many countries (Germany, Finland, Lithuania, Luxembourg, Ukraine, Poland and 19 other countries). In the casefiles regarding foreign inquires from **Russia**, the most common presumable predicate offence was **embezzlement** (31% of all files of foreign inquiries from Russia involving an identified predicate offence).

10 foreign inquiries were related to the **terrorist financing**. Four foreign inquiries involving suspicion of terrorist financing were related to virtual asset service providers with an Estonian activity licence. Three inquiries concerned the financing of East-Ukraine separatists. Two inquiries were standard cases where a person with a radical background moved smaller sums of money. Usually, the FIU sends information about suspected terrorist financing to the Estonian Internal Security Service with the permission of the foreign state.

A total of **30** virtual asset service providers with an **Estonian activity licence** are involved in the files of foreign inquiries, 58% of which were related to fraud, and only two foreign inquiries were related to an Estonian citizen. The cases described in the foreign inquiries have mainly used the wallets opened with virtual asset service providers with an Estonian activity licence to conceal the origin of suspicious or criminal assets. According to the FIU’s virtual asset survey⁶, the service providers often have little connection with Estonia, and the real managers and payment accounts of the companies are located abroad. Most of the complaints regarding virtual asset service providers with an Estonian activity licence were received from Germany, Lithuania, Russia and France.

⁶ Survey of virtual asset service providers. Financial Intelligence Unit, 2022. <https://fiu.ee/media/170/download>

Use of a virtual asset service provider to move criminal proceeds

In 2021, queries were received from two countries in connection with a company established in Estonia, which had an Estonian activity licence to provide virtual asset services. Approximately 2 billion euros of cryptocurrency were passed through this company over 3 years. One of the inquiries concerned a large-scale investment fraud, where the funds that had been embezzled were moved through the wallets of the service provider's customer. The turnover of such wallets was nearly 130 million euros. The second inquiry concerned a large-scale ransomware attack, the funds from which were also moved through the wallets of the service provider's customers. The company's real service offer and actual economic activity did not take place in Estonia. Today, the FIU has invoked the company's activity licence for non-compliance with various requirements.

14 inquiries were related to **company service providers**. These inquiries mainly concerned the use of Estonian companies established by company service providers in suspicious transactions. There are certain company service providers operating in the Estonian market who are helping establish companies to move funds linked to persons with a suspicious or criminal background.

297 (82%) of the casefiles were marked as being in the **money laundering phase**. The analysis of these casefiles shows that in the 2021 foreign inquiry schemes, **according to the suspicions, the layering phase of money laundering mainly took place in Estonia** (about 90% of the casefiles of foreign inquiries). The layering phase is characterised by the fact that Estonia is a transit country in the movement of the funds. Most of the funds suspected of being involved in money laundering are placed into the financial system from a foreign country and moved through Estonia during the layering phase, i.e., the integration phase, in turn, is in a foreign country. This also appears from the applications for mutual legal assistance sent to the PBGB.

4. FINANCIAL VOLUMES OF FOREIGN INQUIRIES

As regards the financial volumes, the total amount of funds related to all foreign inquiries is estimated and it is determined how much of it came through Estonia. In 75% of the files of foreign inquiries, the financial volumes can be identified. In total, the case files concerned **1.33 billion euros**. Foreign inquiries concerned transactions between 2008 and 2021. It was found that in the cases described in the foreign inquiries a total of **642 million euros in cash might have passed through Estonia, of which 174 million euros or 27% passed through virtual asset service providers with an Estonian activity licence**. Thus, more than half of the funds involved in the cases have not moved through Estonia, but also other countries have been used.

In the case of 473 million or 44% of the funds described in the inquiries, the presumable predicate offence is not known to the FIU. In the files of foreign inquiries concerning transactions between 2020 and 2021, fraud (163 million euros) is dominant in terms of financial volumes. Transactions related to tax offences during the same period amount to 19 million euros.

In **laundering the presumable proceeds of fraud, 160 million euros passed through Estonia**, of which 140 million or 88% were funds moved through the virtual asset service providers with an Estonian activity licence. Of the alleged tax crimes, 15 million euros were passed through Estonia, of which 8 million euros were from Latvia. Latvia is followed by Kazakhstan, Russia and Malta, with 2 million.

The median amount related to the files was 145,000 euros, which is significantly lower than the median amount for 2020 (slightly below 300,000 euros). The majority, or the amounts related to 79 files, remained between 100,000 and 1 million euros. Cases involving more than 10 million euros were described in 25 files (22 files in 2020), four of which were related to more than 100 million euros.

The largest amounts involved in the cases

100 million euros were related to a foreign inquiry concerning the use of a bank account of a bank that had lost its licence in Estonia, in large-scale money laundering, the funds from which were integrated into real estate in Malta. In this case, the only connection with Estonia was the bank account in an Estonian bank.

200 million euros are related to a foreign inquiry concerning the purchase of coal from the occupied area of Eastern Ukraine and thereby supporting separatists. Within the case, 200 million euros were transferred from a Latvian bank account to an Estonian bank account over two months in 2015. The only connection with Estonia was the bank account opened in Estonia. This amount of money has disproportionately increased the financial volumes involved in terrorist financing.

The sum of 209 million euros is related to a foreign inquiry sent to all members of FIU.Net⁷ concerning possible aiding of money laundering by a foreign bank. The inquiry had no connection with Estonia.

⁷ The platform for the financial intelligence units of the European Union for the exchange of data.

Foreign inquiries with the largest financial volumes generally concern the transit of funds, which are related to cases of several years ago in which the banks involved have ceased their activities in Estonia by now. All transactions related to these cases can provisionally be classified as transit because the funds were moved around in Estonian and Latvian banks and did not remain in Estonia or Latvia.

As a whole, the sums received from Latvia and Russia are larger case by case compared to other countries. In addition, the impacts of the business of Estonian company service providers towards the east are still noticeable. Over the years, there have been several company service providers in Estonia who have targeted their activities to eastern customers (Russia, Ukraine, Belarus), offering them company and asset management services. In addition, the use of increasingly more virtual asset service providers having an Estonian activity licence to move illegal funds has been noticed from Russia.