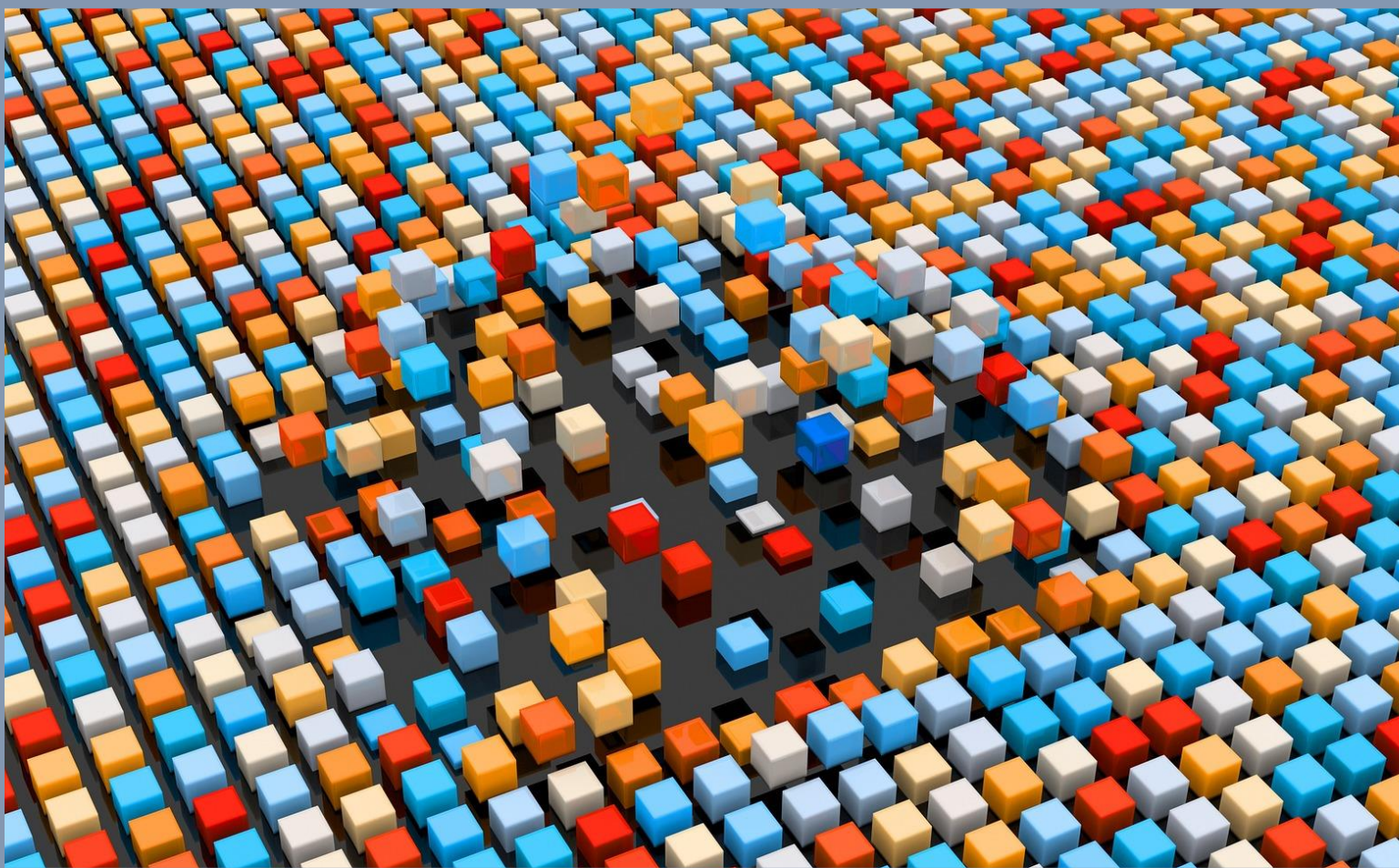




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2020 FINANCIAL INTELLIGENCE UNIT ANNUAL OVERVIEW OF INTERNATIONAL COOPERATION



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EXECUTIVE SUMMARY

The international cooperation of financial intelligence units in the field of money laundering prevention, distinguishes between three forms of information exchange: foreign inquiries, spontaneous information disclosure and cross-border disseminations. The difference between the first two is that 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 benefit to the financial intelligence unit or law enforcement authorities of the recipient country. Cross-border dissemination (XBD) is a relatively new form of information exchange. The member states according to the article 53(1) of the IV European Union directive on money laundering¹, ensure that *“financial intelligence units exchange on their own initiative or upon request, any information that the financial intelligence units may require on money laundering and terrorism financing, as well as processing and analysing the information related to natural or legal persons included in it, even if the type of probably related predicate offences, has not been established at the time of exchanging information.”* The XBD is the practical application of the given requirement. We use in the analysis the term foreign information as the collective name for the three different forms.

The aim of the overview is to provide a systematic and generalised picture of the foreign information sent in 2020 by the **foreign financial intelligence units to the Estonian Financial Intelligence Unit (FIU)**. Foreign information means in the study, foreign inquiries and spontaneous information disclosures. The analysis does not include foreign inquiries sent by the Estonian FIU and supervisory cooperation between Estonian and foreign FIUs.

We give in the first chapter an overview of the volume of international cooperation of the FIU in 2016–2020. The second chapter provides an overview of the contents of the foreign inquiries received by the Estonian FIU in 2020: the most widespread schemes, suspicious predicate offences of the money laundering, direction of money movement, sectors involved and amounts, as well as connection of the cases with Estonia. The overview was based on the analysis of 379 case files opened in the Estonian FIU based on foreign inquiries received, as well as received and sent spontaneous information disclosures.

The most frequent connection with Estonia in foreign inquiries received by the Estonian FIU in 2020 were bank accounts opened in Estonia. This was in many cases the only connection with Estonia that was described in the inquiry sent by the foreign country institution. This is mainly due to the bank accounts opened in Estonia by international payment institutions and virtual currency service providers. The relation with Estonia in 12% of the foreign enquiries

¹ The European Parliament and of the Council Directive (EU) 2018/843, dated 30 May 2018 that amends the Directive (EU) 2015/849 that treats the financial system for the purpose of the prevention of money laundering or terrorism financing that amends the Directive 2009/138/EC and 2013/36/EU. <https://eur-lex.europa.eu/legal-content/ET/TXT/PDF/?uri=CELEX:32018L0843&from=EN>

was through companies that have had or have an activity licence issued by the FIU for offering virtual currency services.

The foreign inquiries clearly highlight cash flows from Russia, the Ukraine and Belarus. A probable reason for this in addition to the geographical proximity of these countries is that many persons active in Estonia offer clients, originating from the aforementioned countries financial services and asset movement services. This is not surprising, taking into consideration that Estonia has been for many years a transit country for money from the East. Many of the persons highlighted in the foreign inquiries are connected to the cases of Danske Bank and Versobank, as well as the Latvian ABLV Bank.

The analysis of foreign cooperation gives an indication that international cooperation has a very important role in preventing money laundering and crime in general. The cases reported in foreign inquiries involve international money laundering networks that could to a large extent remain invisible to the FIU without the information of the foreign partners. The active foreign communication also allows for obtaining information about suspicious transactions of persons connected to Estonia, outside of Estonia. The information thus received from foreign partners improves the existing information of the FIU and allows for seeing the larger picture.

Foreign FIUs evaluated the Estonian FIU generally as a very good partner of foreign communication in 2020. The information sent by the FIU has been according to the evaluation of foreign partners, timely and of good quality. The overview is the first of its kind. It is thus difficult to evaluate trends and changes, as we do not have a comparison to previous years, but the overview is the basis for executing future studies and overviews.

INTERNATIONAL COOPERATION OF THE ESTONIAN FIU 2016–2020

The overview focuses on foreign information sent to the FIU, but for creating a broader picture, we first provide an overview of international cooperation in general, incl. foreign inquiries sent and received, spontaneous information disclosures and XBDs. The analysis does not include the foreign cooperation in supervisory activities.

The number of foreign inquiries, spontaneous information disclosures and XBDs received and sent has increased from year to year in the period 2016–2020 (Table 1). The growth in XBDs received has even been explosive. We expect the rapid growth to continue in the coming years, as the FIUs of different countries are taking into use technological solutions that allow for automatic exchange of XBDs with other FIUs. The bulk of the XBDs, more than 11 000 that were sent to the Estonian Financial Intelligence Unit, in the period 2017-2020 were sent by the FIU of the Netherlands. The Dutch Financial Intelligence Unit has since 2018, used an automated system for sending XBDs².

Table 1. Number of foreign inquiries, spontaneous information disclosures and XBDs in 2016-2020

	2016	2017	2018	2019	2020	TOTAL
Foreign inquiries received	280	321	324	417	460	1802
Foreign inquiries sent	84	167	141	244	398	1034
Spontaneous information disclosures received	*	63	112	117	133	425
Spontaneous information disclosures sent	*	21	22	27	55	125
XBDs received		20	1703	4037	7206	12971
XBDs sent			41	63	82	154

* We collect data of spontaneous information disclosures since 2017. The Estonian FIU received the first XBDs in 2017.

In 2016-2020 The Estonian FIU had in 2016-2020 international cooperation with 102 countries and jurisdictions, incl. all European countries ([Figure 7](#)).

² Financial Intelligence Unit – the Netherlands, FIU annual report 2018. https://www.fiu-nederland.nl/sites/www.fiu-nederland.nl/files/documenten/fiu-the_netherlands_annual_report_2018.pdf



Figure 1. Countries and jurisdictions from which the Estonian FIU received or to which it sent foreign inquiries and spontaneous information disclosures in 2016–2020.

The most frequent was the exchange of information with the Financial Intelligence Units of neighbouring countries – Latvia, Lithuania, Finland and Russia (Table 2).

Table 2. Countries with which the Estonian Financial Intelligence Unit had the most foreign cooperation, 2016–2020

	Foreign inquiries received	Foreign inquiries sent	Spontaneous information disclosures received	Spontaneous information disclosures sent
Latvia	259	122	39	8
Finland	201	48	31	7
Lithuania	159	89	16	7
Russia	135	72	9	13
Germany	76	61	83	4
The Ukraine	102	54	2	17
Great Britain	63	64	8	8
Poland	58	47	2	2
Czech Republic	29	30	39	3

The Estonian FIU received in 2020 a total of 460 foreign inquiries and 133 spontaneous information disclosures. We sent 398 foreign inquiries and 55 spontaneous information disclosures. The most foreign inquiries received by the FIU in 2020 were from Finland and Latvia and the most foreign inquiries were sent to Lithuania and Latvia (Table 3).

Table 3. Countries with which the FIU cooperated the most in 2020.

	Foreign inquiries received	Foreign inquiries sent	Spontaneous information disclosures received	Spontaneous information disclosures sent
Finland	72	21	4	3
Latvia	54	35	14	4
Lithuania	39	47	7	4
Germany	30	30	31	2
Russia	24	17	3	5
Poland	24	17		2
Luxembourg	21	9	5	
Great Britain	18	25	4	2
Malta	18	11	14	
The Ukraine	16	16		6
Italy	15	7		1
Belarus	14	5		3

OVERVIEW OF THE FOREIGN INQUIRIES RECEIVED IN 2020

The analysis is based on 379 case files. The vast majority of the case files used in the analysis were opened in 2020. Some files had already been opened in previous years, but new information was added based on foreign inquiries in 2020.

The connections to Estonia in the cases of the files of foreign inquiries were different. A case may have many different connections with Estonia. The most frequent link was through an Estonian bank account, through which suspicious transactions were made. Cases were also connected to Estonia through the presence of Estonian legal persons and Estonian citizens in suspicious schemes. A relatively large number (12% of inquiries) of foreign inquiries involved Estonian legal persons that had an activity license of the FIU, to offer virtual currency services. Virtual currency services activity licenses were issued to more than 1 300 companies in the years 2017–2019. The rules for obtaining a license were considerably less restrictive prior to the changes in the Estonian Money Laundering and Terrorist Financing Prevention Act that entered into force in 2020³. The connection with Estonia is often very weak in the case of these companies, as the company does not operate in Estonia, does not have a payment account in Estonia and the persons behind the company are neither Estonian residents nor citizens. The number of companies that have an activity license of the FIU for providing virtual currency services has decreased significantly in 2020.

The persons connected with 214 or 57% of the case files were non-residents, in other words they were not Estonian citizens, Estonian residents nor e-residents. 5% of the foreign inquiries had no connection with Estonia (Table 4). The FIU generally receives such requests when the foreign partner does not know exactly which country's subject is concerned.

³ Study of virtual currency service providers <https://www.politsei.ee/files/Rahapesu/virtuaalvaeaeringu-teenuse-pakkujate-uuring.pdf?9fd7e5611b>

Table 4. Connections with Estonia in the cases contained in the foreign inquiry files opened in 2020

Connection with Estonia	Number of files
Estonian bank account	269
Legal person of Estonia	216
Estonian citizen	119
FIU activity license	42
Connection to Estonia is lacking	21
E-resident	19
Resident of Estonia	10
Estonian ATM	7
Estonian real estate	2

Note: One case file may contain many connections with Estonia

The most common money flow direction was transit of money through Estonia, where the money received in the Estonian bank account moved on to other countries. The foreign partner often asked in the foreign inquiries for information also about money received from an Estonian account. The most common countries of the origin of money flow to Estonia were Finland, Germany, Russia, Lithuania, Belarus, Latvia and the Ukraine. This is not surprising taking into consideration that the Estonian FIU received the most foreign inquiries from these countries in 2020.

A suspected predicate offence was detectable in 209 files of foreign inquiries. The most common predicate offence suspected was fraud (nearly in a third of the cases), a tax crime (in a quarter of the cases) and investment fraud (in 17% of cases). The list of suspected predicate offences is diverse (Table 5). Six cases are connected to terrorism financing and two are with suspicion of international sanctions. Fraud is varied – there were BEC fraud and telephone fraud occurrences⁴, where the criminal presented him/herself for example as a bank employee and cheated out the personal data and opened a virtual currency wallet where money earned from criminal activity was transferred to. There were some cases where people were cheated by phone, to gain remote control over their computer.

Table 5. Suspected predicate criminal offences in foreign inquiry case files, opened in 2020

Suspected predicate offence	Amount
Fraud	62
Tax fraud	50
Investment fraud	35
Embezzlement	23
Computer crime	10

Suspected predicate offence	Amount
Drug offence	9
Internet fraud	7
Corruption	3
Smuggling	2
Robbery	1
Assassination	1

4 Information System Authority blog <https://blog.ria.ee/tunne-oma-tumedamat-poolt/>

The sector related to the suspected criminal scheme was identified in 106 files. The analysis excluded banking, which figures in most cases. The most prevalent were trade (nearly 50 cases) and real estate (13). Trade mainly references the suspicion of commercial money laundering, where with alleged exports-imports large amounts of money are moved, but the movement of goods is doubtful. The connection with real estate is expressed in the purchase of real estate with money of suspicious origin.

The connection with Estonia in 24 cases was only through a legal person registered in Estonia that did not have a bank account nor activity in Estonia. There were 38 cases connected with Estonia where the payment intermediary had opened a bank account in Estonia, to which money of suspicious origin was transferred. The schemes described in 24 cases of foreign inquiries concerned payment intermediaries of virtual currencies, registered in a foreign country that had accounts in Estonian banks. The practice of the FIU in the case of such requests, is to forward the inquiry to the Financial Intelligence Unit of the country of origin of the payment intermediary or the service provider itself, as the money moves quickly onwards from the Estonian bank account or is converted to virtual currency and the company is in the jurisdiction of another country. It is very likely that virtual currency service providers with very large volumes also moved revenue received through crime. Generally the payment intermediaries and virtual currency service providers under discussion, cooperate well with law enforcement authorities, but a certain risk of money laundering certainly exists. There are VIBAN bank accounts opened in banks for payment intermediaries⁵ that are not separate accounts for the bank and the bank itself must ask separately from the payment intermediary, about the transactions taking place on the VIBAN account.

75 of the analysed cases were connected with virtual currencies: a virtual currency service provider was involved or proceeds suspected to originate from crime were placed into virtual currency. Computer crimes were concerned in 71 cases. A computer crime can be a case where criminals have hacked into the computer system of the victim and infected it with malware or the crime was committed through a phone call that was used to take control of the computer of the victim. Widespread were also Microsoft fraud cases, where the criminal acted as a Microsoft employee on the phone and gained remote control over the computer of the victim. 31 foreign inquiries were related to money laundering through Danske Bank. There were 16 cases where a connection to organised crime was identified and in 11 cases to a PEP or a person who has worked in a high political office or has connections with high level politicians.

The cases of foreign inquiries were mostly connected with Finland, Latvia, Lithuania, Germany and Russia. The Finnish cases are varied, but were often related to laundering money through Estonia that was received as revenue from drugs or other smuggled goods or money from tax fraud. The German cases were often related to fraud associated with an

⁵ The VIBAN account operates outside of the banking system as a usual IBAN account, but bank internally it is rather a reference number for internal payments.

Estonian legal or natural person or where an Estonian bank account was used. The inquiries from Russia often concerned the activities of Estonian legal persons in Russia or the laundering of tax fraud and embezzlement funds through Estonian bank accounts. It is not possible to make larger generalisations about the inquiries of Latvia, but characteristic of a neighbouring country, there is a more immediate cross border contact in the inquiries, for example the using of an Estonian legal person for “melting” of money of unknown origin in Estonian automated teller machines that had moved through Latvia. The Lithuanian inquiries often mention investment fraud related to virtual currencies, as virtual currency platforms have often opened payment accounts in Lithuania. The foreign files relating to the Belarus, contain cases connected with the suspicion of embezzlement, corruption and tax fraud. Estonia comes into the picture in these cases either through bank accounts opened in Estonian credit institutions or that involve Estonian persons. The most extensive and important analysis have been related to the Ukraine, Belarus and Russia. The cases related to the Ukraine, Belarus and Russia, thereby are often related to investigations that focus on transactions of many years ago. The inquiries of Finland, Germany and Lithuania on the other hand, are connected with more current cases, where for example Finland requests the retention of money received on some Estonian account. The Latvian inquiries were connected with transactions from years ago, as well as recent crimes.

The FIU contributes into the prevention of crime through international cooperation, as well as uses the information included in foreign inquiries, with the permission of the foreign country also for preventing crime domestically. As of 1.02.2021 there were 23 cases in which the Estonian FIU forwarded materials to Estonian law enforcement institutions. These represent case files opened in 2020 based on foreign inquiries and in 18 cases the materials were forwarded at the initiative of the FIU, whereas in five additional information was added to existing criminal cases. The forwarding of materials on the initiative of the FIU in 9 out of 18 was based on files opened on the basis of XBDs received.

FEEDBACK FROM FOREIGN PARTNERS ON THE COOPERATION WITH THE FINANCIAL INTELLIGENCE UNIT

We requested for the first time at the end of 2020 feedback from countries on the responses sent by the Estonian FIU to foreign inquiries and the spontaneous information disclosures sent by the Estonian FIU. The aim was to find out for what the information contained in our responses was used and how do the foreign colleagues evaluate the cooperation with the Estonian FIU. The feedback query sent to foreign countries asked foreign partners:

- What was the predicate offence, if it was known?
- How was the information useful to the foreign FIU?
- Was the information forwarded to a third party?
- What further action was taken based on the information of the Estonian FIU (was a new criminal case opened, assets frozen etc.)?
- Overall evaluation of the cooperation with the Estonian FIU.

We asked for feedback from foreign partners concerning cases that are important from the view of Estonia, as well as the foreign country or where long lasting and/or large scale money laundering is detectable. We asked for feedback from 29 countries on 118 foreign inquiries or spontaneous information disclosures; feedback was sent by 20 countries on a total of 86 responses to foreign inquiries.

The overall evaluation of the cooperation with the Estonian FIU was good (questions with free response were concerned and the majority of responses were “excellent” or “very good”).

“Replies are quick and informative. Cooperation is very good and fruitful.”

It was found in 77 out of 84 cases that the answer was timely (only three times it was answered that this was not the case and in four cases the question was not answered). The high quality of information and the speed of response were highlighted. There were no negative opinions.

“Quality and completeness of the information was excellent - the material was provided very promptly and in an extremely useful format so I could analyse the data straightaway.”

“High quality information, clear case description, provided information met our expectation.”

The recipient forwarded the information in 47 out of 84 cases to a third party, in 32 cases not and in 5 cases this question was not answered.

The foreign country responses to the predicate offence question indicate that in many cases, included in the analysis of foreign cooperation (in almost 2/3 cases, in 52 cases) the suspected predicate offence was not yet known at the time of requesting feedback (the question was left unanswered or responded with the predicate offence is not known). The circle of suspected crimes highlighted in the responses was diverse, but mostly country specific. The keywords dominating in eastern countries were embezzlement of (state) assets and corruption. Many of the EU countries mentioned fraud.

The information received from the FIU was evaluated by the recipients of an foreign inquiry or spontaneous information disclosure, in all cases as useful. The question if new information was obtained on known persons, received an affirmative response in 58 cases, in 46 cases the information of the Estonian FIU provided information on new persons or leads, in 35 cases new assets or cash flows were identified.

The respondents to the feedback questionnaire pointed out the most (in 26 cases) that the information received from the Estonian FIU was useful for an existing criminal proceeding. It was mentioned in eight cases that based on the information of the Estonian FIU, the disposal of assets was curbed, in seven cases new criminal proceedings were initiated and in three cases court proceedings were initiated. Such responses point to the contribution of the FIU, also in the international view to the prevention of money laundering. The respondents also mentioned other activities that were executed, considering the information of the Estonian FIU or for which the information was useful. There was a case in which the restriction of disposal of assets was terminated. There were many cases in which the response supported the proceedings of money laundering and confiscation, ongoing analysis or reinforced the suspicion and/or enriched the material sent to the proceedings.

The Estonian FIU in conclusion is considered a good partner among the foreign partners in the international communication of financial intelligence units. The Table 1 at the beginning of the overview shows a clear growth trend in the international cooperation and communication of the FIU. The international cooperation is extremely important in creating a precise picture of the situation, as money laundering schemes often pass through several countries and the persons related to Estonia execute financial transactions in many foreign countries. It can be stated that it is of benefit to the FIU, in the prevention of money laundering and terrorism financing that the foreign partners highly value the cooperation with the FIU.