

Estonia

Fifth Round Mutual Evaluation Report

Executive Summary

This report provides a summary of the anti-money laundering and combating financing of terrorism (AML/CFT) measures in place in Estonia as at the date of the onsite visit (25 April - 6 May 2022). It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Estonia's AML/CFT system and provides recommendations on how the system could be strengthened.

Key Findings

- a) Estonia has an appropriate mechanism for identification, assessment and, subsequently, understanding of money laundering (ML) and terrorism financing (TF) risks through national risk assessments coordinated by the AML/CFT Committee with high-level commitment and nationwide coverage, access to all data available in the country from public and non-public sources. Other strategic analysis products, also contribute to better understanding of risks in the respective sectors. While together those provide useful hints on sectors with higher risk exposure, they do not give a comprehensive view of the (residual) risks of ML and TF in the country. All competent authorities have a role in the implementation of the activities established under the national AML/CFT policy, i.e., most recent Action Plan. Nonetheless, outcomes of nation-wide risk assessment exercises are not integrated into the objectives and activities of individual authorities. National cooperation and coordination is a strong feature of the AML/CFT system in Estonia, supported by regular work of the high-level AML/CFT Committee, operational-level working groups/platforms, as well as adequate bilateral cooperation mechanisms and practices.
- b) Financial intelligence along with other relevant information is gathered and used by the competent authorities to initiate and support ongoing investigations, to develop evidence and to trace criminal proceeds. Estonia should be commended for the demonstrated practice of co-ordination and co-operation between the Estonian Financial Intelligence Unit (EFIU) and law enforcement agencies (LEAs), and the EFIU's efforts to meet the operational needs of the LEAs. In recent years, important steps were made to strengthen the EFIU's capacities and its performance. A moderate improvement is still required in the EFIU's capacities and working practices for reinforcing its proactive approach in the detection of targets versus its

current heavy reliance on the LEA's lead. This is a priority matter in the context of Estonia, as the EFIU is in the best position to observe and detect the movement of illicit flows. The competent authorities receive reports that contain relevant and accurate information that assists them to perform their duties to a moderate extent. This is due to issues with the quality and reporting practices of OEs. At the same time, some of the EFIU's practices raise concerns in terms of revealing the operational work done by the EFIU in respect to suspicious transactions and thereby jeopardizing the detection of crime and the tracing of assets.

- c) In Estonia, different sources of information are used to trigger ML identification and investigation. While some significant cases involving banks are currently ongoing, the number of identified and investigated ML cases is relatively low mainly due to the limited interpretation of the ML offence by the Supreme Court. So far achieved results are to some extent in line with the risk profile of the country. Concerns remain regarding whether the risks relating to domestic high-proceeds-generating offences, are being sufficiently considered to investigate potential ML. The criminal sanctions applied for the ML offence call into question their dissuasiveness and effectiveness given the gravity and associated risk.
- d) Confiscation is recognised as a policy objective in Estonia, but the achieved results follow the set objectives to some extent. Authorities achieved some reasonable results, however, proceeds of crime in specific cases were appreciably much higher than the amounts subject to confiscation. LEAs regularly conduct financial investigations, but authorities do not keep statistics and overall effectiveness is questionable. Estonia does not proactively pursue proceeds moved abroad. Sanctions applied for undeclared cash are minor unless amount exceeds EUR 40 000 when criminal proceeding is initiated. Confiscation results are not always in line with the risk profile of the country.
- e) There has been one successful TF prosecution and conviction in Estonia which does not fully correspond to the risk profile of the country, and deficiencies in TF risk understanding (see Immediate Outcome 1) affect the overall effectiveness. Authorities use a range of sources of information and investigative techniques when identifying and investigating TF, yet EFIU disseminations and terrorism related offences alongside with financial investigations could be exploited more in order to determine potential TF offences. Features of TF investigations have been integrated to some extent in the counterterrorism strategy and Estonia makes effective use of alternative measures.
- f) Estonia implements the United Nations targeted financial sanctions (UN TFS) on TF and proliferation financing (PF) without delay. The mechanisms for designation of persons and entities under the UN TFS framework at the domestic level or internationally were not developed over the majority of the assessment period. No formalised approach was ensured to the designation process, including discussions and decision taking within the scope of a formal fora despite having potential causes to do so. Over the last year Estonia reinforced its attention towards implementation of the TFS measures, and demonstrated tangible progress also in supervisory efforts,

primarily focusing at the most important sectors, banks and virtual asset service providers (VASPs), for which Estonia should be commended. But further steps are required to improve understanding of UN TFS regimes by the obliged entities (OEs).

- g) The efforts of authorities to conduct risk assessment of the non-profit organisation (NPO) sector and identify the subset with higher level of vulnerability for the TF abuse are commendable, but major improvements are required to enhance the knowledge about the TF vulnerabilities in the sector, including in identification of the specific subset of the NPOs, *inter alia* through analysis of a wider input data and expansion of the scope of considerations. The risk-based measures with respect to NPOs are to be considerably improved.
- h) The concerted effort of the supervisor undertaken in recent years to increase the quality and compliance of the sector is seeing some improvements as a result. The ML risk understanding, and the effectiveness of the preventive measures varies across the sectors. Banks, which represent one of the most material sectors, and non-bank financial institutions (FIs) have a good understanding of their ML risks, whereas VASPs, company service providers (CSPs) and other designated non-financial businesses and professions (DNFBPs) demonstrated less comprehensive understanding. Understanding of TF risk is generally lower across all sectors. The effectiveness of the preventive measures is impacted by the level of ML/TF risk understanding demonstrated by the entities. For much of the period under review, most of the reporting has been carried out predominantly by banks (70%).
- i) Both, the Estonian Financial Supervision Authority (EFSA) and the EFIU have revised their supervisory approach and increased capacity in order to address the emerging risks posed by the supervised sectors. The licensing process of the FIs by the EFSA is overall quite comprehensive, however, for much of the period under review, the EFIU's procedures were less effective, evident particularly in the VASP sector. The EFIU's actions implemented in 2021 appear to have a positive impact on VASPs licensing processes. The supervisory activity was not always carried out on a risk-sensitive basis. The powers to sanction unlicensed activity and to impose financial sanctions are limited. Overall, the applied sanctions cannot be considered to be effective, proportionate and dissuasive.
- j) The authorities have taken certain steps towards identification, assessment and understanding of ML/TF vulnerabilities and risk exposure of legal entities. Nevertheless, the current understanding is not sufficient to take into account the existing risks. The competent authorities have powers to access information, but the measures to prevent misuse of legal persons do not fully enable availability of adequate, accurate and current beneficial ownership (BO) information. The large share of Estonian companies with e-Residents as their basic or beneficial owners, significant involvement of licensed and non-licensed CSPs in company registration processes, on the background of poorly designed and vaguely understood customer due diligence (CDD) measures implemented by them are factors with adverse impact on the quality of BO information. Applicable sanctions are not effective.

k) Mutual legal assistance (MLA) and extradition to European Union (EU) and non-EU Member States is provided in a constructive manner. Estonia has reserved the right to refuse assistance due to the principle of dual criminality, which hinders cooperation with non-EU jurisdictions. MLA is sought to pursue ML/TF and predicate offense investigations to some extent. There are few requests sent regarding seizing assets in foreign jurisdiction, and no information on confiscation of assets moved abroad. The extent to which other forms of international cooperation is sought and provided differs among authorities.

Risks and General Situation

Estonia faces (ML) threats from proceeds of crime primarily committed abroad and less frequently domestically. Estonia is considered to be a transit country for the concealment of ML and for the concealment or conversion of the origin of assets acquired by criminal activity. According to national risk assessment (NRA) the prevailing trends and patterns of ML involve the use of legal persons, money mules, wire transfers, cash deposits and withdrawals¹, and physical cross-border cash flows. Estonia is considered to be particularly exposed to threats related to fraud and internet fraud (embezzlement) committed abroad, as well as tax offences committed in the neighbouring countries. The authorities have also identified the laundering of illicit proceeds through drug trafficking, organised criminal group (OCG), economic activities without an activity license.

Estonia is facing low level of terrorism threat. The threat level of terrorist financing in most domains is low in Estonia, it is average in the traditional financial sector and high in the VASP sector. In Estonia, threats posed by Islamist terrorism are the most likely. There is observation that TF is not related to predicate offences, and therefore they have been assigned by the lowest possible threat. The Internal Security Service's (ISS) annual report that provides the observation of situation in Estonia with respect to terrorist threat, suggests that people of Estonian origin still remain in the conflict zones². The NRA conclusions suggest that country observes two sectors, the virtual asset service providers (VASPs) and non-profit organisations (NPOs) to be of higher vulnerability for TF. The VASPs are considered so due to the anonymity of the provided services. The NRA clarifies that TF risks can be higher with respect to the humanitarian and charitable activity carried out at international level near or within the conflict zones. According to the Action Plan the country considers that currently it has incomplete overview on the TF risks in the NPO sector, which is a vulnerability.

Banks and VASPs are the most vulnerable sectors in terms of ML due to (i) their dominating size, (ii) the spectrum of provided services, and the anonymity offered by the latter. Over the period under consideration there were AML/CFT shortcomings identified by the supervisor at four banks, out of which two are currently under criminal proceedings (see IO.7). Among the DNFBPs the CSP and real estate are the most vulnerable sectors³. The CSP sector is vulnerable due to its current size and increasing number of participants, and the nature of the provided services⁴, e.g., formation of companies for foreign residents. The real estate sector is vulnerable due to the risks attached to the

¹ NRA, National threat of ML and FT, pg. 4 and 6

² https://kapo.ee/sites/default/files/content_page_attachments/Annual%20Review%202020-2021.pdf

³ NRA, Summary table with results of NRA.

⁴ CSPs are among the biggest DNFBP sectors by the total turnover (around 50 million euros) comprising 316 participants (in 2020) identified as trust and company service providers. Their number significantly increased by almost three times when compared to 115 providers in 2017.

real estate market itself, and involvement into the transactions of a real estate brokers (dealing with the transfer of cash to the customer's bank account)⁵.

Overall Level of Compliance and Effectiveness

Estonia has taken steps since its last evaluation to remedy the deficiencies identified during that process – the jurisdiction strengthened its legal and regulatory framework and conducted its first NRA (covering the period from 2011 to 2013), which was adopted endorsed in January 2015 and published in March 2018. This was then updated covering the period 2017-2019, with the report endorsed in April 2021 and published in May 2021.

In many respects, Estonia demonstrated efforts toward developing an effective AML/CFT system, although the practical application of the existing framework has still to be improved. Notably, the country took steps to strengthen the supervisory efforts and demonstrated positive dynamic towards reinforcement of the banking sector and lately focused also on VASPs. Among other initiatives it is worth mentioning the revision of the EFIU status and provision with considerable additional resources, and Estonia's steps towards strengthening transparency of legal persons through development of the Beneficial Ownership Information Database under the control of the Ministry of Finance.

In terms of technical compliance, the legal framework has been enhanced in many aspects, especially with respect to strengthening the requirements on application of preventative measures. Nevertheless, some issues remain, including measures applied with regard to: implementation of UN TFS (R.6-7); measures related to correspondent relationships (R.13); regulation of VASPs (R.15); application of preventative measures and supervision of DNFBPs (R.23 and R.28); reporting of STRs (R.20); statistics (R.33) and sanctions (R.35).

Assessment of risk, coordination, and policy setting (Chapter 2; 10.1, R.1, 2, 33 & 34)

Estonia has an appropriate mechanism for identification, assessment and, subsequently, understanding of ML/TF risks through national risk assessments, which should be significantly improved to provide for uninterrupted coverage of considered periods, as well as timely endorsement and dissemination of the assessment outcomes. The same is true for the action plans produced on the basis of NRA findings. While the NRA 2021 report and other strategic analyses provide useful hints on sectors with higher risk exposure, they do not give a comprehensive view of the (residual) risks of ML and TF in the country. There are also important missing elements in the understanding of ML/TF threats emanating from domestic proceeds-generating crimes, organized crime, cross-border movement of funds and cash, ML/TF vulnerabilities in private and public sectors, risks related to the abuse of legal persons, activities of CSPs and VASPs, as well as the country's exposure to the risk of terrorism financing. All competent authorities have a role in the implementation of the activities established under the national AML/CFT policy, i.e., most recent Action Plan. Nonetheless, outcomes of nation-wide risk assessment exercises are not integrated into the objectives and activities of individual authorities. National cooperation and coordination is a strong feature of the AML/CFT system in Estonia supported by regular work of the intergovernmental committees and adequate bilateral arrangements.

⁵ NRA, Chapter 6 "Vulnerability of the real estate agents' sector", p.3

Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3; IO.6, 7, 8; R.1, 3, 4, 29–32)

Financial intelligence along with other relevant information is gathered and used by the competent authorities to initiate and support ongoing investigations, to develop evidence and to trace criminal proceeds, this mostly to pursue the ML predicate offences. Estonia should be commended for the demonstrated practice of co-ordination and co-operation between the EFIU and LEAs and the EFIU's efforts to meet the operational needs of the LEAs. In recent years, important steps were made to strengthen the EFIU's capacities and its performance. A moderate improvement is still required in the EFIU's capacities and working practices in order to reinforce its proactive approach in the detection of cases and to lessen its current heavy reliance on the LEA's lead. This is a priority matter in the context of Estonia, as the EFIU is in the best position to observe and detect the movement of illicit flows by itself. However, this potential is greatly limited, among other things, by the low quality of reporting, which includes retroactive reporting. In addition, when the EFIU suspends funds, it informs the interested party of the suspension order and it practices in-person meetings with such parties in order to ascertain the origin of the funds (the latter having been addressed also in the 4th round of ME). These two matters raise concerns as may hamper the EFIU's and LEAs' efforts in tracing proceeds and detecting ML cases and predicate offenses.

Estonia has designated authorities to identify and investigate ML offence using mainly police reports and EFIU disseminations as a source. The interpretation of the ML offence by the Supreme Court in some cases has been narrower than the legislative threshold, thus hindering further investigations and prosecutions. So far, the achieved results are to some extent in line with the risk profile of the country. Estonia pursues different types of ML, and the majority of investigations, prosecutions and convictions for ML are for third party ML, usually in relation to foreign predicate offending. It is noticeable that Estonia has directed its resources and focused on complex ML cases. The sanctions for ML are not effective and dissuasive since they are low for natural persons and very low for legal persons, with imprisonment of natural persons usually suspended. Extended confiscation is used in cases where ML is not pursued but the reasons provided are not necessarily justifiable.

There is robust legislative framework enabling freezing, seizure and confiscation of instrumentalities and proceeds of crimes, confiscation of equivalent value, as well as extended confiscation. While confiscation is pursued as a policy objective, overall implementation in practice is achieved to some extent. There is a sizeable difference between estimated criminal property and that which is ultimately confiscated. The effectiveness of the confiscation in relation to the proceeds moved abroad is questionable. There are some technical deficiencies as regards movement of cash and BNI and applied sanctions for undeclared cash are not dissuasive. The confiscation results achieved so far do not appear to be fully consistent with the level of ML risk.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5–8, 30, 31 & 39.)

Legal framework to fight TF has certain deficiencies concerning criminalisation of the TF offence. There has been one TF conviction in Estonia so far, which is to some extent consistent with the country's risk profile. The ISS has initiated five criminal investigations, which demonstrates authorities' skills and knowledge to deal with TF offence. Nevertheless, EFIU disseminations and terrorism related offences alongside with financial investigations could be more exploited in order to determine potential TF offences. TF investigations are integrated into the national strategies to some extent, but not used as basis to propose designations of terrorist and terrorist organisations. Criminal

sanctions applied are not considered being effective. There are several alternative measures applied in Estonia when TF conviction is not possible to secure.

Estonia implements the UN TFS without delay. The mechanisms for designation of persons and entities, under the UN TFS framework were not developed over the majority of the assessment period. No person is designated either domestically or proposed to the UN, although there are convictions achieved and other circumstances are present to give raise to a more focused and formalised consideration of the subject.

Over the last year Estonia reinforced its attention towards the implementation of the TFS measures, and demonstrated tangible progress also in supervisory efforts, primarily focusing at the most important sectors, banks and VASPs, for which Estonia should be commended. Nevertheless, further steps are required to strengthen the OEs knowledge and capacities for implementation of UN TFS, including by providing sector specific guidance, outreach and continuous regular supervision.

Estonia conducted risk assessment of the NPO sector within the framework of NRA in 2021 and a separate study by the EFIU in April 2022. These efforts of authorities are commendable, but major improvements are required to enhance the knowledge about the TF vulnerabilities in the sector, including in identification of the specific subset of the NPOs, *inter alia* through analysis of a wider input data and expansion of the scope of considerations. The risk-based preventative measures with respect to NPOs are to be considerably improved.

Preventive measures (Chapter 5; IO.4; R.9–23)

Banking sector, which is weighted as one of the most important sectors, have a good level of understanding of their ML risks. Preventive measures in the banking sector are steadily improving since 2020 and there was a significant investment in AML/CFT compliance and risk management which enhanced the comprehensiveness of their mitigation controls. Most of reports come from the banking sector (70%). Throughout the period under review, this was not the case and four banks have committed serious AML/CFT violations. Since 2020, due to the supervisory measures a positive development is noted. This impacted the risk appetite of most banks which is limited for higher risk business. However, it is also observed a concentration of the risks within a small number of banks with higher risk appetite, mostly in relation to correspondent relationships with foreign high-risk business (VASPs, PSPs, EMIs and Fintech platforms) and VASP activity. One bank which also undertake VASP activity demonstrated a much weaker understanding of the risks and the mitigations put in place of VASP activity.

Generally, VASPs demonstrated a rather superficial understanding of risks and general mitigating measures applied. The preventive measures are often not applied in accordance with the specific business risk and the control systems are overall insufficient. At the same time, the reinforced supervisory attention towards the quality and compliance of the sector since 2020 indicate some positive results. VASPs had to adjust their business to higher licensing standards, including IT tools. Since 2019, as a result of the outreach activities the number of filed reports increased considerably, although a higher number is expected.

CSPs, demonstrated insufficient risk understanding and less effective preventive measures. The level of reporting by the sector is alarmingly low and the control systems are overall insufficient.

Supervision (Chapter 6; IO.3; R.14, R.26–28, 34, 35)

The licensing process of the FIs by the EFSA is overall quite comprehensive, however, for much of the period under review, the EFIU's procedures were less effective, evident particularly in the VASP sector. The EFIU's actions implemented in 2021 appear to have a positive impact on DNFBPs and VASPs licensing processes. The SRBs assessment processes are much less thorough and undertake a limited assessment of the integrity of their members as shown by how few refusals or application withdrawals there have been since 2016.

The EFSA has comprehensive risk analysis tools which facilitate a good understanding of risks across the financial sector. Notwithstanding, the application of the risk methodologies, the EFSA should take into account and give appropriate weighting to all high-risk indicators to avoid assigning lower risk rating as would be expected which has a consequential impact on the effectiveness of the EFSA's supervisory approach. The EFIU's supervisory activity was not carried out on a risk-sensitive basis for the most period under review. This was mainly due to its insufficient institutional capacity and limited understanding of the risks of the supervised sectors. Significant efforts have been made recently to address these weaknesses. The SRBs were able to explain some risks, however the explanations lacked depth or real appreciation of those risks with some matters being dismissed altogether without a convincing rationale.

The sanctioning mechanisms features a series of limitations, particularly regarding the ability to effectively impose financial penalties. The main supervisors rely heavily on remedial supervisory measures, such as warnings, remediation plans and licence withdrawal (where possible), and there are cases which would require more prompt supervisory actions. Overall, the applied sanctions cannot be considered to be effective, proportionate and dissuasive.

Transparency and beneficial ownership (Chapter 7; 10.5; R.24, 25)

The authorities have taken certain steps towards identification, assessment and understanding of ML/TF vulnerabilities and risk exposure of legal entities. Nevertheless, the current understanding lacks systematised and consolidated analyses and conclusions on important determinants and factors of risk, as well as on factually ascertained risks. The measures to prevent misuse of legal persons at the level of companies, OEs, competent authorities and registers do not fully enable availability of adequate, accurate and current BO information in the country. The large share of Estonian companies with e-Residents as their basic or BOs, significant involvement of licensed and non-licensed CSPs in company registration processes, on the background of poorly designed and vaguely understood CDD measures implemented by them are factors with adverse impact on the quality of BO information. Having regard to the significant presence and activities of non-licensed CSPs, the country has not made appropriate arrangements to raise awareness of OEs exposed to relationships with trustees and thus provide for adequate, accurate and current BO information on foreign trusts. There are no enforceable measures (for supervisors) or practices (for all competent authorities) to obtain basic and BO information from companies. Applied sanctions are not effective proportionate and dissuasive sanctions.

International cooperation (Chapter 8; 10.2; R.36–40)

In general, Estonia provides broad range of constructive MLA and extradition to EU and non-EU Member States in a constructive way. Prioritisation and timely execution of the request is ensured to some extent. Estonia has reserved the right to refuse assistance due to the principle of dual criminality, which hinders cooperation with non-EU jurisdictions. MLA is sought to pursue ML/TF and predicate offense investigations to some extent, while major improvements are needed when seeking assistance to seize and confiscate assets moved abroad. While some authorities have strong informal

cooperation, deficiencies have been observed in the EFIU cooperation when performing supervisory role. Estonia provides basic and BO information. While basic and BO information is provided to foreign counterparts, issues identified under IO.5 may hinder effectiveness of such cooperation.

Priority Actions

- a) Estonia should take measures to significantly enhance the understanding of ML/TF risk faced by the country through, *inter alia*, improvement of nation-wide ML/TF risk assessments so as to provide for uninterrupted coverage of considered periods, timely endorsement and dissemination of relevant outcomes. Such outcomes should reliably assess ML/TF threats and vulnerabilities, give a comprehensive view of the (residual) ML/TF risks in the country, and underlie appropriate nation-wide AML/CFT policies constituting effective and timely response to existing and potential risks
- b) The EFIU should revise its capacities and working practices and reinforce a proactive approach in the detection of ML/TF targets on its own motion, including in high-risk areas, while continue providing support to LEAs within their ongoing proceedings. The EFIU should revise the quality of OE's reporting by revising the reporting guidelines, enhancing training and feedback to OEs. Estonia should ensure that: (a) the EFIU refrains from in-person meetings for obtaining additional clarifications about suspicious transactions from the party in question; and (b) the length of the EFIU suspension orders be adjusted so as to avoid raising the need to inform the customer about the application of this measure.
- c) Estonia should expeditiously ensure that judiciary's and LEAs' interpretation of the ML offence is aligned with the international standards and domestic legislation. This should be approached by taking steps such as *inter alia*: (i) developing formal guidelines drawing on international and domestic requirements for ML offence and good practice for investigating and prosecuting ML offence; (ii) continuing to bring prosecutions in court and appealing decisions to promote evolving jurisprudence on ML cases in line with the current criminalisation of ML and international standards; (iii) holding regular training and seminars for judges, prosecutors and investigators.
- d) Estonia should enhance to a major extent its efforts to seize, confiscate and recover the proceeds of ML and predicate offences, especially those moved abroad, in line with its ML/TF risks. The results should be periodically analysed in terms of their adequacy, the consistency with risks and any challenges, actual or potential, that the authorities have faced.
- e) Estonia should ensure that TF activities are investigated and prosecuted in line with its improved understanding of national TF risks.
- f) Estonia should ensure considering designations according to UNSCR at the domestic and international level collectively, in the formal fora, including formal consideration of whether the UN designation criteria are met with respect to persons under investigation or convicted, also irrespective of existence of criminal proceedings.

- g) Authorities should strengthen ML and TF risk understanding across sectors (especially VASPs, CSPs and investment firms) and application of mitigating measures commensurate with their risks; ensure that independent verifications are undertaken by CSPs without undue reliance on other parties; enhance the control systems employed by VASPs and CSPs; ensure implementation of a travel rule and other newly established measures by VASPs; continue to ensure adequacy of measure at OEs who also undertake VASP activity; continue supporting OEs for improving reporting level.
- h) The supervisors should continue their efforts to ensure an effective licensing process of all OEs. They should undertake a comprehensive review of their risk-based approach to ensure that there is increased and proportionate focus on higher risk sectors and that there is appropriate focus on all higher risk matters. The existing supervisory arrangements in cases when an FI undertakes VASP activity should be clarified. The EFSA and EFIU should be given appropriate powers to sanction unlicensed activities and to impose effective, proportionate and dissuasive financial sanctions.
- i) Estonia should more proactively seek international cooperation in order to pursue ML, as well as to support ongoing TF investigations. Particular attention should be given to seeking assistance regarding seizure and confiscation of assets moved abroad, mindful the fact that most proceeds are moved through Estonia to foreign jurisdictions.
- j) The authorities should further develop the understanding of ML/TF risks related to the misuse of legal persons, including those arising from the e-Residency program. Such understanding should be achieved through, inter alia, systematised and consolidated analyses concluding on important determinants and factors of risk, as well as on factually ascertained risks. Measures should be taken to improve the quality of BO information in the country, including through more effective contribution by companies and OEs, and through consistent efforts by relevant authorities in conducting proactive checks and verification of company information.

Effectiveness & Technical Compliance Ratings

Effectiveness Ratings⁶

IO.1 - Risk, policy and coordination	IO.2 - International cooperation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
Moderate	Substantial	Moderate	Moderate	Moderate	Substantial
IO.7 - ML investigation & prosecution	IO.8 - Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
Moderate	Moderate	Moderate	Moderate	Substantial	


Technical Compliance Ratings⁷

R.1 - assessing risk & applying risk-based approach	R.2 - national cooperation and coordination	R.3 - money laundering offence	R.4 - confiscation & provisional measures	R.5 - terrorist financing offence	R.6 - targeted financial sanctions - terrorism & terrorist financing
PC	C	LC	C	LC	PC
R.7- targeted financial sanctions - proliferation	R.8 -non-profit organisations	R.9 - financial institution secrecy laws	R.10 - Customer due diligence	R.11 - Record keeping	R.12 - Politically exposed persons
PC	PC	C	LC	C	LC
R.13 - Correspondent banking	R.14 - Money or value transfer services	R.15 - New technologies	R.16 - Wire transfers	R.17 - Reliance on third parties	R.18 - Internal controls and foreign branches and subsidiaries
PC	LC	PC	C	LC	LC
R.19 - Higher-risk countries	R.20 - Reporting of suspicious transactions	R.21 - Tipping-off and confidentiality	R.22 - DNFBPs: Customer due diligence	R.23 - DNFBPs: Other measures	R.24 - Transparency & BO of legal persons
PC	PC	PC	LC	PC	PC
R.25 - Transparency & BO of legal arrangements	R.26 - Regulation and supervision of financial institutions	R.27 - Powers of supervision	R.28 - Regulation and supervision of DNFBPs	R.29 - Financial intelligence units	R.30 - Responsibilities of law enforcement and investigative authorities
PC	LC	LC	PC	LC	C
R.31 - Powers of law enforcement and investigative authorities	R.32 - Cash couriers	R.33 - Statistics	R.34 - Guidance and feedback	R.35 - Sanctions	R.36 - International instruments
C	LC	PC	LC	PC	LC
R.37 - Mutual legal assistance	R.38 - Mutual legal assistance: freezing and confiscation	R.39 - Extradition	R.40 - Other forms of international cooperation		
LC	LC	LC	LC		

⁶ Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low - LE, level of effectiveness.

⁷ Technical compliance ratings can be either a C - compliant, LC - largely compliant, PC - partially compliant or NC - non compliant.

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