

FATF



Anti-money laundering and
counter-terrorist financing
measures

Finland

Follow-up Report &
Technical Compliance Re-Rating

October 2022

Follow-up report





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CTF) standard.

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Finland's 3rd Enhanced Follow-up Report

Introduction

The FATF Plenary adopted the mutual evaluation report (MER) of Finland in February 2019¹, its 2nd enhanced follow-up report (FUR) with technical compliance re-ratings (TCRR) in October 2021². This 3rd FUR analyses Finland's progress in addressing the technical compliance deficiencies identified in its MER, relating to Recommendations 24, 28 and 35. Re-ratings are given where sufficient progress has been made. No Recommendations have changed since the adoption of its 2nd enhanced FUR.

Overall, the expectation is that countries will have addressed most, if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Finland has made to improve its effectiveness.

Findings of the MER and 2nd Enhanced Follow-up Report

The MER in addition to the 2nd FUR, rated Finland's technical compliance as follows:

Table 1. Technical compliance ratings (October 2021)

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	PC	C	LC						
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	LC	PC	C	PC	C	LC	LC	PC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	LC	LC	PC	LC	LC	PC	PC	C	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	LC	C	PC	LC	LC	LC	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Source: [Finland Mutual Evaluation Report, April 2019](#):

Given these results and Finland's level of effectiveness, the FATF placed Finland in enhanced follow-up. **Ms Catherine Balfe, Manager, AML Division, Central Bank of Ireland from Ireland** conducted the analysis of the re-rating.

¹ www.fatf-gafi.org/media/fatf/documents/reports/mer4/mer-finland-2019.pdf

² www.fatf-gafi.org/media/fatf/documents/reports/fur/Follow-Up-Report-Finland-2021.pdf

Section 3 of this report summarises Finland's progress made in improving technical compliance. Section 4 sets out the conclusion and a table showing which Recommendations have been re-rated.

Overview of progress to improve technical compliance

This section summarises Finland's progress to improve its technical compliance by addressing some of the technical compliance deficiencies identified in the MER.

Progress to address technical compliance deficiencies identified in the MER

Finland has made progress to address the technical compliance deficiencies identified in the MER in relation to R.24. Because of this progress, Finland has been re-rated on this Recommendation.

The FATF welcomes the progress achieved by Finland in order to improve its technical compliance with R.28 and R.35. However, insufficient progress has been made to justify an upgrade of these Recommendations' rating at this stage.

Recommendation 24 (originally rated PC)

In its 4th round MER, Finland was rated PC with R.24, as Finland had not conducted a comprehensive assessment of ML/TF risks associated with all types of legal persons. There were no comprehensive obligations to maintain up-to-date basic and beneficial ownership information, nor adequate measures regarding bearer shares and nominee holdings. Competent authorities did not have full access to legal entities or information residing with them. Sanctions for breaches of information keeping requirements were limited and there was no legal requirement to monitor the quality of international assistance on basic and beneficial ownership information.

Finland has taken significant steps to address the deficiencies identified in R.24. Amendments to Finland's AML/CFT legislation in relation to the Finnish Register of beneficial owners of legal entities and foreign trusts entered into force in 2019. In its 2021 National Risk Assessment, Finland identified and assessed the ML/TF risk in relation to its legal entities, noting the significant ML/TF risks presented particularly by limited liability companies. Finland also strengthened obligations to obtain, register and maintain up-to-date basic and beneficial ownership information, and to file beneficial ownership information on the beneficial ownership register. Bearer shares can no longer be issued and no old bearer shares exist in Finland.

Finland has introduced new legislative provisions to monitor the quality of assistance provided by other countries for beneficial ownership, although this is limited to the FIU. Minor shortcomings remain regarding cooperation on beneficial ownership information with law enforcement, availability of dissuasive sanctions and the lack of measures concerning nominee shareholders.

On this basis, Finland is re-rated as Largely compliant on R.24.

Recommendation 28 (originally rated PC)

In its 4th round MER, Finland was rated PC on R.28 due to the lack of requirements to prevent criminal or their associates from the operational management of casinos as well as management functions in DNFBPs. In addition, supervisors do not have statutory powers to carry out the supervision of the implementation of the targeted financial sanctions obligations and there are no sanctions applicable. Where DNFBPs use residential premises for the conduct of business activities, the powers of supervisors to conduct inspections in limited. Several regulation and supervision requirements relating to the Åland Islands were not in place.

Since its MER, Finland has implemented legislation regarding the regulation and supervision of DNFBPs in the Åland Islands. The AML/CFT Act has also been amended so that Regional State Administrative Agency for Southern Finland (RSAA) is now able to remove an obliged entity from the money laundering supervision register.

Finland has also drafted legislation to amend the AML/CFT Act on the obligation for supervisory authorities to take into account the freezing of assets provided for in the Act on the Freezing of Funds for Combating Terrorism (325/2013), and obligations related to the EU sanctions regulations. The amendments also supplement their powers with the ability to impose administrative fines and penalties for violations. In addition, where DNFBPs use residential premises for the conduct of business activities, supervisory authorities will be able to carry out inspections remotely. However, these amendments are not yet in force and effect.

The lack of requirements to prevent criminal or their associates from the operational management of casinos as well as management functions in DNFBPs remain unaddressed.

Therefore, the rating for R.28 remains Partially compliant.

Recommendation 35 (originally rated PC)

In its 4th round MER, Finland was rated PC on R.35 in light of several deficiencies on applicable sanctions. The five year time limitation on the right for supervisors to impose administrative fines and public warnings is a concern given the supervisory cycle. There were no sanctions for failure to freeze funds relating to TFS obligations under UNSCR 1373. There is no information available on sanctions for NPO's failure to comply with their registration's obligations. Lawyer's sanctions are only applicable to natural persons and not law firms.

Finland has amended its Business Information Act (BIS Act) introducing penalties for NPO's failure to comply with their registration's obligations.

As noted above, Finland has also drafted legislation to amend the AML/CFT Act on the obligation for supervisory authorities to take into account the freezing of assets provided for in the Act on the Freezing of Funds for Combating Terrorism (325/2013), and obligations related to the EU sanctions regulations. However, these amendments are not yet in force and effect. Although Finland has increased its supervisory engagement to mitigate the concern caused by the time limitation, the five year time limitation remains.

Therefore, the rating for R.35 remains Partially compliant.

Conclusion

Overall, Finland has made progress in addressing some of the technical compliance deficiencies identified in its MER and has been upgraded on R.24. However, as it has not made sufficient progress on R.28 and R.35, these remain rated as partially compliant.

Considering progress made by Finland since the adoption of its 2nd FUR, its technical compliance with the FATF Recommendations has been re-evaluated in the following manner:

Table 2. Technical compliance ratings, October 2022

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	PC	C	LC						
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	LC	PC	C	PC	C	LC	LC	PC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	LC	LC	LC	LC	LC	PC	PC	C	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	LC	C	PC	LC	LC	LC	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Finland will remain in enhanced follow up and will continue to inform the FATF of progress achieved on improving the implementation of its AML/CFT measures.

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October 2022

Anti-money laundering and counter-terrorist financing measures in Finland

Follow-up Report & Technical Compliance Re-Rating

As a result of Finland's progress in strengthening its measures to fight money laundering and terrorist financing since the assessment of the country's framework, the FATF has re-rated the country on Recommendation 24.

Follow-up report