

FATF



Anti-money laundering and counter-terrorist financing measures

Finland

October 2021

2nd Enhanced Follow-up Report &
Technical Compliance Re-Rating

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 2nd Enhanced Follow-up Report

1. Introduction

The FATF Plenary adopted the mutual evaluation report (MER) of Finland in February 2019.¹ This FUR analyses Finland's progress in addressing the technical compliance deficiencies identified in its MER, relating to Recommendations 8, 24 and 34. Re-ratings are given where sufficient progress has been made. This report also analyses Finland's progress in implementing new requirements relating to FATF Recommendations that have changed since the end of the on-site visit to Finland in June 2018 (R.2 and R.15).

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.

2. Findings of the MER

The MER rated Finland's technical compliance as follows:

Table 1. Technical compliance ratings, April 2019

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	PC	LC	LC	LC	LC	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	LC	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	PC	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](#):

- **Ms Catherine Balfe, Manager, AML Division, Central Bank of Ireland from Ireland** conducted the analysis of the re-rating.

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.

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

3. Overview of progress to improve technical compliance

This section summarises Finland's progress to improve its technical compliance by:

- a) addressing some of the technical compliance deficiencies identified in the MER; and
- b) implementing new requirements where the FATF Recommendations have changed since the on-site visit to Finland (R.2 and R.15).

3.1. 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.34. 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.8 and R.24. However, insufficient progress has been made to justify an upgrade of these Recommendations' rating.

Recommendation 8 (originally rated PC)

In its 4th round MER, Finland was rated PC on R.8 because the identification of the subset of non-profit organisations (NPOs) at risk of terrorist financing (TF) abuse and of the nature of threats and risk-based supervision was limited.

Since its MER, Finland has passed new legislation (the Act on Money Collection 2020), completed its National Risk Assessment of Money Laundering and Terrorist Financing (NRA 2021) in March 2021 and developed an Action Plan for National Risk Assessment of Money Laundering and Terrorist Financing 2021–2023 (Action Plan 2021-2023). The NRA 2021 includes a specific assessment of the ML/TF risks in the Finnish NPO sector which identified the highest TF risks to be from small NPOs, cash transportation to high-risk geographical areas, and NPOs with weaker understanding of the TF risk in their own activity. Finland's authorities have also stepped up their outreach activities to raise awareness of TF risks relating to the NPO sector and to develop and refine best practices.

A wide spectrum of Finland's authorities participated in the NRA 2021, which demonstrates its understanding of NPOs operating in Finland. The Action Plan 2021-2023 lays out concrete measures to mitigate and manage risks but has yet to be implemented. While Finland has applied measures to mitigate the risks presented by NPOs, these are not adequately targeted at the subsets of the NPO sector that have been identified to present the highest risks. Deficiencies, particularly on the lack of specific requirements for risk-based supervision and monitoring of NPOs at risk of TF abuse, and sharing information promptly with competent authorities, remain unaddressed.

Finland's progress is noted. However, **the rating for R.8 remains partially compliant.**

Recommendation 24 (originally rated PC)

R.24 was rated as PC in Finland's 4th round MER because 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.

Since its MER, Finland has taken significant steps to address the deficiencies identified in R.24. Finland's AML/CFT legislation was amended in 2019 to introduce the Finnish Trade Register of beneficial owners of legal entities and foreign trusts. In its NRA 2021, 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.

Deficiencies remain regarding cooperation on beneficial ownership information with law enforcement, availability of dissuasive sanctions and monitoring the quality of international assistance on basic and beneficial ownership information. The lack of measures concerning bearer shares and nominee directors and shareholders also remain, albeit that in the context of Finland, risk of abuse is low.

Therefore, **R.24 remains at partially compliant.**

Recommendation 34 (originally rated PC)

In its 4th round MER, Finland was rated PC on R.34. The main technical deficiency was that not all supervisors had issued guidance on detecting and reporting suspicious transactions.

Since its MER, Finland's competent authorities, supervisors and self-regulating bodies have engaged with financial institutions and DNFBPs and issued specific guidance on suspicious transactions, shared risk assessments, provided feedback, issued guidelines as well as conducted training. The National AML/CFT Coordination Group has also developed a public AML/CFT website to improve the understanding of ML/TF risks and provide guidance on reporting suspicious transactions for obliged entities.

Finland has addressed all the deficiencies identified in its MER. On this basis, **R.34 is re-rated compliant.**

3.2. Progress on Recommendations which have changed since adoption of the MER

Since the adoption of Finland's MER, the FATF amended R.2 and R.15. This section considers Finland's compliance with the new requirements.

Recommendation 2 (originally rated PC)

In October 2018, R.2 was amended to require countries to have cooperation and coordination between relevant authorities to ensure compatibility of AML/CFT requirements with Data Protection and Privacy rules. The amended Recommendation further requires a domestic mechanism for exchange of information.

In its 4th Round MER, Finland was rated PC on R.2, as it did not have comprehensive national AML/CFT policies based on an up-to-date analysis of its ML/TF risks. Finland has since developed an Action Plan 2021-2023 that sets out measures to address ML/TF risks identified in its NRA 2021.

Finland has implemented mechanisms through several coordination groups for authorities to adequately cooperate and share information for AML/CFT purposes both at policy and operational level. Representatives from different ministries, the FIU, law enforcement authorities, supervisors and other relevant competent authorities have participated in most of these. Finland's AML/CFT Act applies EU data protection regulations that require co-operation and coordination as well as consultation with the Data Protection Ombudsman to ensure compatibility between Data Protection and AML/CFT requirements.

However, as the Åland² authorities do not participate in any of the mechanisms, minor deficiencies remain against the new criteria of R.2.

R.2 is re-rated largely compliant.

Recommendation 15 (originally rated LC)

In June 2019, R.15 was revised to include obligations related to virtual assets (VA) and virtual asset service providers (VASPs). These new requirements include: requirements on identifying, assessing and understanding ML/TF risks associated with VA activities or operations of VASPs; requirements for VASPs to be licensed or registered; requirements for countries to apply adequate risk-based AML/CFT supervision (including sanctions) to VASPs and for such supervision to be conducted by a competent authority; as well as requirements to apply measures related to preventive measures and international co-operation to VASPs.

In its 4th Round MER, Finland was rated LC on R.15, as Finland had not assessed all its identified risks and there were minor gaps in the scope of and entities required to implement mitigating measures.

Finland has amended legislation to require relevant entities, including DNFBPs, consumer credit providers and currency exchange providers, to consider risks relating to new technologies in assessing the ML/TF risks in customer

² Finland's territory is comprised of mainland Finland and the self-governing province of Åland.

relationships. Finland's NRA 2021 includes a section regarding new technologies that specifically takes into account new products, business practices and technologies.

The Finnish Financial Supervisory Authority (FIN-FSA) completed its risk assessment in 2020 which assesses the inherent ML risk of virtual currency providers. The NRA 2021 also assesses ML/TF risks relating to virtual currency providers. However, the definition of virtual currency providers does not totally cover the FATF definition of VASPs. This affects several requirements in R.15 particularly on monitoring, mitigation measures, registration requirements and application of sanctions.

As the supervisory authority, FIN-FSA is obliged to conduct a sector specific risk assessment to support risk based supervision and has adequate powers to supervise, monitor and ensure AML/CFT compliance by virtual currency providers, as well as to establish guidelines, and provide feedback to assist virtual currency providers in applying AML/CFT measures. However, supervision does not reflect how the risk-based approach is applied with respect to the frequency and intensity of inspections.

Finland has a comprehensive range of sanctions available to deal with unregistered virtual currency providers, unauthorised activities and failure to comply with AML/CFT requirements, although the prescribed fines are not always dissuasive. Although virtual currency providers are required to comply with customer identification and verification requirements and are obliged to have similar preventive measures as apply to all other obliged entities under the AML/CFT Act, the regulation relating to fund transfers does not cover virtual currencies. TFS obligations apply to virtual currency providers and international cooperation can take place in relation to VASPs.

R.15 is therefore re-rated partially compliant.

4. Conclusion

Overall, Finland has made progress in addressing some of the technical compliance deficiencies identified in its MER and has been upgraded on R.34. However, as it has not made sufficient progress on R.8 and R.24, these remain rated as partly compliant. As Finland has addressed some of technical compliance deficiencies identified in R.2 and also meets the new requirement for this Recommendation, it is upgraded to largely compliant. R.15 is downgraded to partly-compliant because Finland did not sufficiently meet the new requirements of R.15.

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

Table 2. 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	LC	LC	LC	LC	LC	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).

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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2nd Enhanced Follow-up Report & Technical Compliance Re-Rating

This report reflects the progress that Finland has made to meet the requirements of FATF Recommendations since its 2019 mutual evaluation. As a result of the reratings indicated in this report, the country is compliant on 9 of the 40 Recommendations and largely compliant on 23 of them. It remains partially compliant on 8 Recommendations.

The report also looks at whether Finland's measures meet the requirements of FATF Recommendations that have changed since their Mutual Evaluation in 2019.

Follow-up report