



Financial Action Task Force
Groupe d'action financière

**THIRD MUTUAL EVALUATION ON
ANTI-MONEY LAUNDERING AND
COMBATING THE FINANCING OF TERRORISM**

FINLAND

EXECUTIVE SUMMARY

12 October 2007

THIRD MUTUAL EVALUATION OF FINLAND

EXECUTIVE SUMMARY

1. Background Information

1. This report provides a summary of the anti-money laundering (AML) and combating the financing of terrorism (CFT) measures in place in Finland at April 2007 (the date of the on-site visit) and immediately thereafter. The report describes and analyses those measures and provides recommendations on how certain aspects of the system could be strengthened. It also sets out Finland's levels of compliance with the Financial Action Task Force (FATF) 40+9 Recommendations (see attached table on the Ratings of Compliance with the FATF Recommendations). The Finnish Government recognises the importance of an effective AML/CFT regime and continues to actively update its AML/CFT framework.

2. Finland has a good legal structure to combat money laundering and terrorist financing. The money laundering offence established in 2003 is broad and encompasses most of the elements of the Vienna and Palermo Conventions. It is not possible to prosecute for self-laundering and this is not due to any fundamental principle of Finnish law. The terrorist financing offence is also broad though it is likely that a link to a specific terrorist act is required for prosecution of terrorist financing. There have been few convictions for money laundering and no prosecutions for terrorist financing. While the *Penal Code* provides the ability to restrain, confiscate and recover the proceeds of crime in most situations, Finland has not established a complete mechanism for freezing terrorist assets. Overall, the Finnish FIU is effective and is the focal point for Finnish AML/CFT efforts. Finland has designated competent authorities to investigate and prosecute money laundering and terrorist financing offences. Measures for domestic and international co-operation are generally comprehensive as well.

3. The preventive system addresses customer identification and other AML/CFT obligations and applies to a range of financial institutions and most of the designated non-financial businesses and professions (DNFBPs) as defined by the FATF. It does not however incorporate customer due diligence (CDD) requirements with respect to beneficial ownership or legal arrangements and no provisions have been implemented with respect to politically exposed persons or correspondent banking relationships. The legal concept of trust does not exist under Finnish law. Record keeping requirements are comprehensive and the suspicious transaction reporting requirement is sound.

4. While the volume of suspicious transaction reports (STRs) has increased in recent years, there is significant disparity in the reporting volume both within and between different financial sectors. The STR reporting requirement is sound but could be strengthened. Supervision is generally effective for the banking and insurance sectors, but AML/CFT supervision is weak or non-existent for many types of designated non-financial businesses and professions (DNFBPs) and limited AML/CFT guidance has been issued, in particular to DBFBPs. The number of detected violations and the number of sanctions imposed are low. In some areas the available sanctions are not strong.

5. Finland has a democratic parliamentary system with a written *Constitution* and a clear separation of powers. It has a civil law legal system with legislative power vested in the Parliament. Finland has one self-governing territory; the Åland Islands. Finland has a notably low level of corruption and promotes access by the public to official documents and other information from the government. Its financial sector is dominated by the banking sector, and in particular by three bank groups. The major sources of illegal proceeds in Finland relate to financial and drug-related crimes and the majority of suspicious financial activities investigated have an international dimension. While the amount of money laundering cannot be precisely determined, it is estimated that the damage caused by crime and the black economy exceeds EUR 5 billion each year. Finland has not, to date, conducted any terrorist financing investigations or prosecutions and the threat from terrorist financing does not appear strong.

2. Legal System and Related Institutional Measures

6. The *Penal Code* contains offences of money laundering (ML), aggravated ML, conspiracy to commit aggravated ML, negligent ML and other ML violations. These offences originated in the receiving offence. In 2003, the *Penal Code* was again amended, and the current ML offences were added as clearly independent from the receiving offence. In Finland, any offence can be a predicate offence of ML. The ML offence encompasses most of the elements of the Vienna and Palermo Conventions, though not possession of proceeds of crime or acquisition or use of such property without intention to conceal its illegal origin. It is not possible to prosecute persons for laundering the proceeds of his/her own criminal activity and this is not due to any fundamental principle of Finnish law. There have been few convictions for money laundering. The number of prosecutions for ML offences in Finland is low and the sentences provided for ML convictions are low.

7. Terrorist financing (TF) was criminalised under the *Penal Code* in 2003. At the same time, the scope of application of the system for preventing and investigating ML was extended to include preventing and investigating the financing of terrorism. The TF provision does not cover financing of a terrorist organisation or of an individual terrorist where there is no link to a specific terrorist act or terrorist acts that will occur in the future. Finland has not, to date, conducted any TF investigations or prosecutions.

8. While the *Penal Code* provides the ability to restrain, confiscate and recover the proceeds of crime in most situations, Finland has not established a complete mechanism for freezing terrorist assets. In ML cases, provisional measures may be used only when the proceeds of crime can be identified and when a connection to the offence from which the proceeds were derived can be proven. This limits the scope of application of provisional measures. There are also some gaps in the confiscation provisions. It is not possible to: confiscate property of organisations that are found to be primarily criminal in nature without a link to a certain crime; confiscate proceeds which are completely mingled with licit assets; void actions where the persons involved knew or should have known that as a result of those actions the authorities would be prejudiced in their ability to recover property subject to confiscation. It appears that the recovery of assets is generally effective but with respect to ML is low, possibly due to the focus on investigation of predicate offences rather than investigation of ML. The amount of recovered property has not increased in recent years.

9. As a member of the European Union (EU), Finland is bound by EU mechanisms to implement UN obligations with respect to freezing of funds used for TF. Finland has not enacted domestic measures to expand the coverage of the EU mechanisms. The mechanisms in Finland do not apply to persons, groups or entities within the EU, nor is there a domestic mechanism for considering requests from other States for freezing of terrorist assets. Finland's mechanisms also do not explicitly cover funds owned, "directly or indirectly" by designated persons, or those controlled directly or indirectly, by designated persons. There is no national procedure for unfreezing funds or other assets of persons or entities inadvertently affected by freezing mechanisms. In addition, the limited nature of the TF offence in Finland impacts on the scope of the terrorist asset freezing regime. Finland has issued little guidance to entities that may be holding targeted funds in Finland and communication with entities outside the banking, and insurance sectors about terrorist asset matters is limited. No terrorist assets have been frozen in Finland pursuant to the UN or EU sanctions.

10. The Money Laundering Clearing House (MLCH), Finland's financial intelligence unit (FIU), was established in 1998. It is an independent unit situated within the National Bureau of Investigation (NBI) of the Finnish Police. In addition to receipt, analysis and dissemination of STRs, the MLCH is involved in pre-trial investigations of ML and TF offences. The MLCH has a range of powers to obtain information for its analysis and investigations and it has direct access to a number of government and public databases. The FIU meets many of the requirements of Recommendation 26 and clearly plays a key role in the AML/CFT system in Finland. However, there are several factors that diminish the FIU's effectiveness. As at the time of the on-site visit, there was a backlog of reports to be

entered into the MLCH database¹. Moreover, limited resources are in place with respect to guidance to obliged parties and development of trends and typologies and the current IT system is limited in functionality. Mechanisms to obtain information on the outcomes of disseminated matters are weak. Few disclosures are received on the basis of suspicion of TF and these are almost entirely due to possible name matches with persons on the UN and EU terrorist lists.

11. Finland has designated authorities to investigate ML and TF offences and equipped them with necessary powers. Investigation authorities include the Finnish Police, Finnish Customs (though it is not a competent authority with respect to TF) Border Guard, Security Police and the MLCH. The primary unit responsible for investigating ML and TF is the National Bureau of Investigations (NBI). Investigations into TF are the joint responsibility of the NBI and the Security Police. Public prosecutors prosecute all offences in Finland but they do not direct investigations. The various agencies appear adequately structured, funded and resourced to effectively carry out their functions though the resources could be focussed more on ML and TF matters.

12. As of 15 June 2007, Finland implemented a declaration system for cross-border movements of cash of EUR 10 000 or more when the *EU Council Regulation 1889/2005*: “the Cash Controls Regulation” and the Finnish *Act on the controls of cash entering or leaving the European Community* (653/2007) entered into force. As indicated by its title, this legislation only covers the transfer of cash or bearer negotiable instruments when entering or leaving the European Union territory. Cross-border declarations of currency or monetary instruments are being provided to the MLCH by Finnish Customs. As these measures are very new, it is too early to ascertain the effectiveness of this system.

3. Preventive Measures - Financial Institutions

13. The application of the Finnish AML/CFT measures to the financial system and to DNFBPs is not based on risk assessment in the manner contemplated in the revised FATF 40 Recommendations. The preventive system and other AML/CFT obligations apply to a range of financial institutions and most of the designated non-financial businesses and professions (DNFBPs) as defined by the FATF. Obligated parties must identify and verify the identities of persons conducting transactions. It does not incorporate customer due diligence (CDD) requirements with respect to beneficial ownership, the identification process to be conducted with respect to legal arrangements is unclear, and no provisions have been implemented with respect to politically exposed persons or correspondent banking relationships. Some CDD exemptions are in place in the banking and insurance sectors.

14. The legal concept of trust does not exist under Finnish law. The only requirements to understand the ownership and control structure of the customer exist as part of enhanced due diligence. The enhanced due diligence obligation is narrow in scope; covering only NCCT-listed countries. There are no clear requirements for money remitters and foreign exchange companies to know the nature, scope and purpose of their customer relations and transactions. There are no requirements for obliged parties to have measures in place for prevention of the misuse of technological developments in ML or TF. Limited provisions are in place with respect to the risks associated with non- face to face business relationships and transactions. Although financial institutions may rely on third parties to conduct CDD for them, and do so within financial services groups, there are no provisions in the *AML/CFT Act* or elsewhere with respect to these situations.

15. There are no limitations on the power of authorities in Finland to obtain information in the course of their duties and record-keeping requirements are comprehensive. The measures in place with respect to customer information accompanying cross-border wire transfers are strong but they do not apply to wire transfers within the EU and there are no provisions on penalties applicable to infringements of the wire transfer requirements for the remittance sector.

¹ In August 2007, the MLCH advised that inputting to the database was up to date and this backlog no longer existed.

16. The customer due diligence obligation provides that all obliged parties in Finland must examine the grounds for and the purpose of the use of its services where transactions are unusual in respect of composition or scale (structure or size), or if they have no apparent financial purpose, or if they are inconsistent with the financial situation or other activities or transactions of a customer. There is no requirement however for the obliged parties to set forth their findings in writing.

17. There are no CDD requirements with respect to politically exposed persons or with respect to correspondent banking relationships. While there is no direct explicit prohibition against establishing or operating a shell bank, licensing requirements for banks would in practice exclude a bank or other institution with no physical address from gaining a license to operate. There is no provision prohibiting banks or other institutions from having correspondent relationships with shell banks and there is no provision requiring institutions to satisfy themselves that their accounts at correspondent institutions cannot be indirectly accessed by shell banks.

18. The STR reporting obligation is sound and applies regardless of the amount of the transaction. There is no requirement however to report transactions suspected of being related to terrorism other than those related to terrorist acts. A large percentage of local banking institutions are not filing suspicious transaction reports. Few reports have been received from securities institutions. The legislation provides immunity from prosecution for those persons who report suspicions to the MLCH in good faith. "Tipping off" others about STR reporting is an offence. The Finnish AML/CFT system requires only STR reporting as authorities considered the benefits of a currency transaction reporting some time ago but decided not to implement such a system.

19. The various procedures for licensing financial institutions appear generally sound. The qualifications and fit and proper tests for persons operating in senior roles in this sector, however, are sometimes vague. For entities supervised by the Financial Supervisory Authority (FSA) and the Insurance Supervision Authority (ISA), on-going supervision of compliance with AML/CFT obligations is carried out primarily as part of prudential oversight and as part of risk management, internal control and code of conduct supervision. The FSA, ISA and MLCH have issued guidance and standards to assist obliged parties to implement and comply with their obligations, but limited guidance has been issued specifically on AML/CFT matters. For FSA and ISA-supervised entities, AML/CFT supervision is carried out primarily as part of prudential oversight and as part of risk management, internal control and code of conduct supervision. Both authorities could more actively conduct AML/CFT-focussed inspections and supervision and could strengthen off-site AML/CFT control. FSA supervision of financial institutions covers the entire financial group, including foreign branches. The FSA also supervises that the branches of foreign credit institutions, investment firms and fund management companies in Finland comply with the Finnish AML/CFT laws and regulations. There are no similar requirements concerning foreign branches of other financial entities. Although licencing procedures would likely prevent a bank or securities firm from establishing a branch or subsidiary in a jurisdiction that had not adequately implemented FATF standards, there is no requirement that these businesses notify the FSA or the MLCH if their foreign branches or subsidiaries were to be prevented by local rules from observing AML/CFT measures.

20. The money remittance and foreign exchange sectors do not have a supervisory authority, nor are there rules that require these businesses to have internal controls, compliance officers, and training to ensure compliance with AML/CFT obligations. Remittance services are subject to registration requirements.

21. In the absence of a designated AML supervisor, the money remittance and foreign exchange sector is subject only to criminal sanctions, while entities supervised by the FSA and ISA are subject to additional administrative penalties. The ISA has a relatively limited range of sanctions available to it. While they are in line with the usual scale of punishments in Finland, the penalties which may be imposed under the *AML/CFT Act* and those available to the FSA and ISA are relatively low. Finnish regulatory authorities rarely apply their sanction powers and only once has a sanction been imposed for matters relation to AML/CFT obligations.

4. Preventive Measures – Designated Non-Financial Businesses and Professions

22. Finland encapsulates a range of designated non-financial businesses and professions as obliged parties. The only type of DNFBP, as defined by the FATF, which is not covered is trust and company service providers. The covered DNFBPs are subject to the same requirements as financial institutions to identify customers, keep records, conduct ongoing due diligence, conduct enhanced due diligence where required, report suspicious transactions to the MLCH and suspend transactions where appropriate. There is little indication that dealers in precious metals and precious stones are complying with their AML/CFT obligations and many types of DNFBPs are submitting very few STRs to the MLCH. In addition, there is a lack of clarity regarding the legal obligations (and resulting supervisory practices) for the gaming operator in the Åland Islands and this could obstruct consistent enforcement of AML/CFT measures across the entire Finnish gaming sector.

23. Gaming operators, auditors, advocates and real estate agents have designated supervisors to monitor compliance with various regulatory requirements. Although most consider the fulfilment of AML/CFT obligations part of the risk management of the institution, none provides robust AML/CFT supervision. Other DNFBPs are not supervised for compliance with AML/CFT requirements. No guidance has been provided focussing on the AML/CFT risks to which the various industries / businesses / products of the DNFBPs are exposed.

5. Legal Persons and Arrangements & Non-Profit Organisations

24. While Finland has a good trade registry system for legal persons, only relatively general information is required for the trade registry and this is insufficient to determine beneficial ownership and control. Measures are in place to ensure companies submit their annual accounts, and lack of compliance with this may be sanctioned. All Finnish companies, co-operatives, partnerships and other private business entities have to register with the National Board of Patents and Registration (the PRH) and be entered in the trade register, the associations register, the foundations register or the register of persons subject to business prohibition and floating charges. Any changes of the information registered in the Trade Register – such as changes to a limited liability company’s name, business activities, address, board members or share capital – have to be notified to and registered immediately with the PRH. In addition, all limited companies, partnership, co-operatives and mutual insurance companies, are also obliged to submit their annual accounts and auditor’s reports to PRH. Requirements that limited liability companies maintain share registers and shareholder registers are not supervised by a government authority.

25. The Finnish legal system does not allow for the creation of trusts, and the legal concept of trust does not exist under Finnish law. Foreign trusts may operate in Finland. If a foreign trust comes to a Finnish financial institution as a customer, it is treated as any other legal person which is a customer of the financial institution.

26. Finland’s trade registry system and accounting requirements apply to foundations and to those associations which choose to register, and a clear process is in place for authorities to manage the money collection activities of non-profit organisations. While Finland is beginning to place greater attention and resources into work with the non-profit sector, it has not conducted a review of the sector and limited supervision and sanctions are in place to deal with inappropriate conduct in the sector.

6. National and International Co-operation

27. Co-operation between the various stakeholders in Finland is strong, both on a formal and informal level. The various authorities involved in AML/CFT are co-ordinating their efforts on operational and policy matters, though co-operative projects could more specifically target ML and

TF issues. In addition, there is a lack of feedback and information sharing between agencies which limits the ability of the MLCH and others to completely examine the effectiveness of the system. This is at least in part due to weak information management systems, particularly with respect to collection and analysis of statistics, and limited interagency connectivity between the various systems. It is also a result of the emphasis on regular contact rather than structured co-ordination.

28. Finland has ratified and implemented, with some shortcomings as noted previously, the Vienna, Palermo and TF Conventions and the provisions of S/RES/1267(1999) and S/RES/1373(2001). There are no unduly restrictive measures placed on the provision of mutual legal assistance. Under Finland's *International Legal Assistance in Criminal Matters Act*, Finnish authorities are expected to provide legal assistance to the fullest extent possible. Execution of requests for mutual legal assistance does not require dual criminality unless the request is for the use of coercive measures. The possibilities to carry out requests from foreign countries for identification, freezing, seizure or confiscation are in principle the same as if the offence or a suspicion of an offence has occurred in Finland. Finland has not considered establishing an asset forfeiture fund to share confiscated assets with other jurisdictions or to fund relevant national initiatives.

29. Money laundering and terrorist financing are extraditable offences, though dual criminality is required for extraditions other than to EU member States or Nordic countries. The dual criminality requirement means extradition could be refused in cases where the Finnish ML or TF offence is limited. Requests are not agreed to for extradition of a Finnish citizen to a country other than an EU member state or a Nordic country.

30. Finnish authorities are satisfied with international co-operation concerning the FIU and law enforcement authorities. There are no indications that co-operation would be ineffective or would not be used as provided in the *FATF Recommendations*. Although the MLCH and the FSA maintain some statistics concerning international co-operation, these are insufficient to fully assess the effectiveness of the system.

7. Resources and Statistics

31. On the whole, competent authorities appear to be adequately resourced and structured to effectively perform their functions. However, planned upgrades to the MLCH's IT systems are expected to provide welcome additional functionality and the MLCH would benefit from additional staff. There is no AML/CFT supervisor for the money remittance and currency exchange sectors. Resources could be directed towards ML/TF investigations rather than focussing on predicate crimes, and resources could be put into awareness-raising and into development of trends, typologies and guidance.

32. The extent of statistics held by authorities is variable. The FIU only produces limited statistics and has limited information on the outcomes of STRs referred for pre-trial investigation. Statistics on ML/TF investigations and on property frozen, seized or confiscated are not comprehensive. Limited statistics are kept with regard to the informal (not on the basis of MLA) exchange of information between the Finnish LEA and foreign LEAs. Finland does not review the effectiveness of its preventative AML/CFT system.

Ratings of Compliance with FATF Recommendations

The rating of compliance vis-à-vis the FATF Recommendations has been made according to the four levels of compliance mentioned in the 2004 Methodology² (Compliant (C), Largely Compliant (LC), Partially Compliant (PC), Non-Compliant (NC)), or, in exceptional cases, Not Applicable (N/A).

Compliant	The Recommendation is fully observed with respect to all essential criteria.
Largely Compliant	There are only minor shortcomings, with a large majority of the essential criteria being fully met.
Partially Compliant	The country has taken some substantive action and complies with some of the essential criteria.
Non Compliant	There are major shortcomings, with a large majority of the essential criteria not being met.
Not Applicable	A requirement or part of a requirement does not apply, due to the structural, legal or institutional features of a country e.g. a particular type of financial institution does not exist in that country.

Recommendations	Rating	Summary of Factors Underlying Rating ³
Legal systems		
1 – ML offence	PC	<ul style="list-style-type: none"> • Not all physical elements (mere acquisition, possession and use of property) of the criminal offence of money laundering are covered. • It is not possible to prosecute for self-laundering and this is not due to any fundamental principle of Finnish law. • It is not possible to prosecute for money laundering any person living in a joint household with the offender who only uses or consumes property obtained by the offender for ordinary needs in the joint household. • There is no offence of conspiracy available for the basic offence of money laundering and this is not due to any fundamental principle of Finnish law. • The ML offence has not been effectively implemented as there have been very few convictions for money laundering, and the numbers appear to be decreasing since the latest amendments to the law were made.
2 – ML offence – mental element and corporate liability	LC	<ul style="list-style-type: none"> • The maximum punishment for conspiracy seems too low when the seriousness of the offence is taken into account. • The maximum corporate fine is very low when both the seriousness of offences that may occur and the economic strengths of the entities in question are taken into account. • Corporate fines are very seldom used.
3 – Confiscation and provisional measures	LC	<ul style="list-style-type: none"> • It is not possible to confiscate property of value corresponding to the laundered proceeds. • It is not possible to confiscate laundered proceeds that are mingled with licit assets to such an extent that the licit / illicit origin cannot be distinguished. • It is not clear that the rights of bona fide third parties would be protected in all circumstances. • Provisional measures are not often used due to the high burden of having to demonstrate a material link between the property and an

² *Methodology for Assessing Compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations*, 27 February 2004 (Updated as of February 2007).

³ These factors are only required to be set out when the rating is less than Compliant.

Recommendations	Rating	Summary of Factors Underlying Rating ³
		<p>offence and the likelihood that there would be flight or removal of the property.</p> <ul style="list-style-type: none"> • Due to a lack of detail in statistics held on confiscation it is difficult to assess effectiveness in this area.
Preventive measures		
4 – Secrecy laws	C	<ul style="list-style-type: none"> • This Recommendation is fully observed.
5 – Customer due diligence	PC	<ul style="list-style-type: none"> • There are no requirements to identify the beneficial owners of legal persons. • There are no general requirements to understand the ownership and control structure of the customer, other than as part of enhanced due diligence. • The identification process to be conducted in relation to legal arrangements is unclear. • There is no requirement to conduct ongoing due diligence on the business relationship. • There are no clear requirements for money remitters and foreign exchange companies to know the nature, scope and purpose of their customer relations and transactions. • Some CDD exemptions are in place in the banking and insurance sectors. • The enhanced due diligence obligation is very narrow in scope; covering only NCCT-listed countries.
6 – Politically exposed persons	NC	<ul style="list-style-type: none"> • There are no CDD requirements with respect to politically exposed persons.
7 – Correspondent banking	NC	<ul style="list-style-type: none"> • There are no CDD requirements with respect to correspondent banking relationships.
8 – New technologies & non face-to-face business	PC	<ul style="list-style-type: none"> • There are no requirements for obliged parties to have measures in place for prevention of the misuse of technological developments in ML or TF. • Limited provisions are in place with respect to the risks associated with non- face to face business relationships and transactions.
9 – Third parties and introducers	NC	<ul style="list-style-type: none"> • In some situations third parties are relied upon to perform elements of CDD, but this is not regulated. • Financial institutions are not required to immediately obtain from the third party the necessary information concerning the CDD process. • Insurance companies are not required to take adequate steps to satisfy themselves that copies of identification data and other relevant documentation relating to CDD will be made available from the third party upon request without delay. • Financial institutions are not required to satisfy themselves that the third party is regulated and supervised and has measures in place to comply with CDD requirements. • There are no provisions to establish that the ultimate responsibility for customer identification remains with the financial institution relying on a third party.
10 – Record keeping	C	<ul style="list-style-type: none"> • This Recommendation is fully observed.
11 – Unusual transactions	PC	<ul style="list-style-type: none"> • For institutions not supervised by the FSA, there is no requirement to keep records of findings of examinations of unusual transactions. • Due to the lack of record-keeping requirement for institutions not

Recommendations	Rating	Summary of Factors Underlying Rating ³
		supervised by the FSA, it is difficult to assess whether the obligation to examine unusual transactions is in fact being observed.
12 – DNFBPs – R.5, 6, 8-11	NC	<ul style="list-style-type: none"> • Trust and company service providers are not obliged parties. • Finland's shortcomings in implementation of Recommendations 5 - 8 and 10 - 11 also apply to DNFBPs. • There is no indication that dealers in precious metals and precious stones are complying with their AML/CFT obligations. • There is a lack of clarity with respect to the AML/CFT obligations for gaming businesses in the Åland Islands.
13 – Suspicious transaction reporting	LC	<ul style="list-style-type: none"> • There is no requirement to report transactions suspected of being related to terrorism other than those related to terrorist acts and no requirement to report transactions suspected of being related to terrorist organisations or to those who finance terrorism. • A large percentage of local banking institutions are not filing suspicious reports. Few reports have been received from any securities institutions. • <i>Effectiveness issue:</i> For money remitters and foreign exchange, the threshold-based reporting discourages meaningful due diligence to subjectively evaluate whether activity is suspicious.
14 – Protection & no tipping-off	C	<ul style="list-style-type: none"> • This Recommendation is fully observed.
15 – Internal controls, compliance & audit	PC	<ul style="list-style-type: none"> • The <i>Money Laundering Clearing House Best Practices</i>, which would satisfy many of the elements of Recommendation 15, are not binding. • There is no explicit requirement for money remittance and foreign exchange sectors to develop internal controls or independent audit to ensure compliance with the <i>AML/CFT Act</i>. • There is no requirement for non- FSA-supervised entities to have comprehensive training that focuses not only on internal procedures and regulatory requirements, but also ML/TF typologies. • Non-FSA supervised entities have no employee screening requirements. • There is no legal requirement for money remittance and foreign exchange sectors to have compliance officers.
16 – DNFBPs – R.13-15 & 21	PC	<ul style="list-style-type: none"> • Trust and company service providers are not obliged parties. • Finland's shortcomings in implementation of Recommendation 13 also apply to DNFBPs. • There is no requirement to report transactions suspected of being related to terrorism other than those related to terrorist acts and no requirement to report transactions suspected of being related to terrorist organisations or to those who finance terrorism. • DNFBPs are not required to have internal controls, compliance officers, independent audits for AML/CFT, ongoing training or employee screening. • There is a lack of clarity with respect to the AML/CFT obligations for gaming businesses in the Åland Islands and only one STR has been submitted from that sector to date. • Few STRs have been submitted by the other DNFBPs, which calls into question the effectiveness of Recommendation 13 in this sector.
17 – Sanctions	PC	<ul style="list-style-type: none"> • Money remitters and foreign exchange offices are subject only to criminal sanctions for violations of AML/CFT obligations. • The scope of regulatory authorities' ability to sanction natural

Recommendations	Rating	Summary of Factors Underlying Rating ³
		<p>persons, such as directors or senior management of institutions, is unclear.</p> <ul style="list-style-type: none"> • The ISA has a relatively limited range of sanctions available to it. • Finnish regulatory authorities rarely apply their sanction powers and have only once applied them for matters relating to AML/CFT obligations.
18 – Shell banks	PC	<ul style="list-style-type: none"> • There is no provision prohibiting banks or other institutions from having correspondent relationships with shell banks. • There is no provision requiring institutions to satisfy themselves that their accounts at respondent institutions do not allow indirect access by shell banks to those accounts.
19 – Other forms of reporting	C	<ul style="list-style-type: none"> • This Recommendation is fully observed.
20 – Other NFBP & secure transaction techniques	C	<ul style="list-style-type: none"> • This Recommendation is fully observed.
21 – Special attention for higher risk countries	PC	<ul style="list-style-type: none"> • Due to the absence of a requirement to set forth in writing the findings of examinations of unusual transactions, it is difficult to assess whether the obligation to examine the purpose of transactions with no apparent economic or visible lawful purpose involving countries or territories which do not or insufficiently apply the <i>FATF Recommendations</i> is in fact being observed. • The only possible counter-measure is application of enhanced customer identification processes. • There is no evidence that non-FSA supervised entities have mechanisms in place to receive notifications from a supervisory authority regarding countries or territories which do not or insufficiently apply the <i>FATF Recommendations</i>.
22 – Foreign branches & subsidiaries	PC	<ul style="list-style-type: none"> • There are no relevant requirements for non-FSA supervised businesses. • Banks and securities are only authorised, not required, to provide notice to the FSA or the MLCH when their foreign branches or subsidiaries are prevented by local rules from observing AML/CFT measures.
23 – Regulation, supervision and monitoring	PC	<ul style="list-style-type: none"> • The number of inspections specifically focussed on AML/CFT matters is very low. • There is not relevant supervisor for the money exchange and remittance sectors. • There are no provisions to prevent criminals from holding a controlling interest in institutions operating in the money exchange or remittance sectors. • Off-site AML/CFT control is limited; it is based on periodic reports by institutions which, with the exception of the FSA's AML/CFT surveys, do not address requirements relating to AML/CFT.
24 – DNFBP - regulation, supervision and monitoring	NC	<ul style="list-style-type: none"> • It is unclear what AML/CFT obligations and thus AML/CFT supervisory regime apply to Casino PAF on the Åland Islands. • Casinos are subject only to the general requirements in the <i>AML/CFT Act</i> – with no additional requirements or binding standards in place to govern their conduct regarding AML issues. • It is unclear whether limited (criminal) sanctions can be applied to directors and management of all DNFBPs. • As SRO membership for accountants and lawyers is voluntary, parts of each sector receive no guidance and are completely

Recommendations	Rating	Summary of Factors Underlying Rating ³
		<p>unsupervised.</p> <ul style="list-style-type: none"> Trust and company service providers are not regulated or supervised in any way, and while trusts are not recognised in Finnish law, company service providers are operating. There is no supervisory authority for dealers in precious metals and stones
25 – Guidelines & Feedback	PC	<ul style="list-style-type: none"> Limited guidance on AML/CFT matters has been issued to obliged parties and only one piece of guidance has been issued on STR reporting. Guidance does not comprehensively address all areas of the <i>FATF Recommendations</i>. No guidance has been issued which specifically addresses AML/CFT issues of relevance for the money exchange and remittance sector or for any DNFbps. SRO best practices are not distributed to all in the accounting/legal sectors as participation in SROs is voluntary. TCSPs are not subject to any regulation or guidance. Dealers have no supervisor to provide them guidance other than the MLCH. In practice, supervisors of the money remittance, the foreign exchange and the real estate sectors do not provide any feedback or guidance, other than that which is provided by MLCH. The MLCH, however, lacks the resources to provide the kind of individual feedback that a robust supervisory system could provide. Some general feedback is provided to financial institutions and DNFbps but does not include information on current techniques, methods and trends (typologies). Non-FSA/ISA supervisors rely completely on the MLCH to provide guidance and limited guidance documents have been issued by the MLCH to date.
Institutional and other measures		
26 – The FIU	LC	<ul style="list-style-type: none"> There was at the time of this assessment a five-month backlog in inputting STRs to the FIU's database. Little written guidance has been provided to obliged parties regarding the manner of reporting and these parties have made limited use of the ability to submit STRs electronically. The feedback provided to obliged parties by the FIU and the analysis conducted by the FIU are limited by insufficient human and technical resources.
27 – Law enforcement authorities	LC	<ul style="list-style-type: none"> Insufficient attention is being paid to pursuing ML and TF offences; authorities are instead focussing their efforts on predicate offences and recovery of proceeds of crime. Due to a lack of statistics it is difficult to evaluate the effectiveness of the system.
28 – Powers of competent authorities	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
29 – Supervisors	PC	<ul style="list-style-type: none"> Money remittance and currency exchange sectors are not adequately supervised for AML/CFT compliance by any supervisor, and are not subject to AML/CFT inspections. The infrequent use of the FSA's and ISA's enforcement powers does not allow for meaningful assessment of their effectiveness.
30 – Resources, integrity and training	PC	<ul style="list-style-type: none"> There is no AML/CFT supervisor for the money remittance and currency exchange sectors.

Recommendations	Rating	Summary of Factors Underlying Rating ³
		<ul style="list-style-type: none"> • It is not clear to what extent all supervisory employees are subject to background checks for appropriate integrity and confidentiality controls. • There is a need for more staff in the FIU, and in particular, persons who should focus on enhancing co-operation with institutions and persons currently not disclosing, to develop more detailed feedback, and to conduct ML/TF typologies development. • The current database of the FIU does not provide all functionality needed, particularly for analysis purposes and typologies development. • No statistics are maintained on spontaneous referrals made by the FIU to foreign authorities. • There is a need to raise the awareness of the pre-trial investigation and prosecuting authorities to ML and TF issues through more resources dedicated to producing guidance and typologies.
31 – National co-operation	LC	<ul style="list-style-type: none"> • It is unclear how effective co-ordination is at targeting money laundering or terrorist financing specifically, as these types of cases are only pursued on a limited basis. • There is limited information sharing and in particular feedback between agencies with respect to investigations and results of inter-agency disseminations.
32 – Statistics	PC	<ul style="list-style-type: none"> • No stats on formal requests to/from the supervisory authorities. • The FIU only produces limited statistics and should also keep statistics about the follow up of the STRs referred for pre-trial investigation; • The statistics to be developed should be used for the analysis of the performance of the MLCH and should therefore be shared with partners on a national level. • Statistics on ML / TF investigations and on property frozen, seized or confiscated are not comprehensive. • No statistics are kept with regard to the informal (not on the basis of MLA) exchange of information between the Finnish LEA and foreign LEAs. • The effectiveness of the preventative AML/CFT system is not reviewed. • No statistics are maintained on spontaneous referrals made by the FIU to foreign authorities.
33 – Legal persons – beneficial owners	PC	<ul style="list-style-type: none"> • There are no requirements for legal persons to keep or make available information on beneficial ownership or control. • There are limited requirements for legal persons to submit updated information to the trade register. • Requirements that limited liability companies maintain share registers and shareholder registers are not supervised.
34 – Legal arrangements – beneficial owners	N/A	<ul style="list-style-type: none"> • Trusts do not exist under Finnish law.
International Co-operation		
35 – Conventions	PC	<ul style="list-style-type: none"> • Some shortcomings exist in relation to implementation of article 3(1) of the <i>Vienna Convention</i> and article 6(1) of the <i>Palermo Convention</i>, namely the Finnish money laundering offence does not criminalise all possession or acquisition of the proceeds of crime. • Self-laundering is not an offence in Finland and this is not due to any fundamental principle of law.

Recommendations	Rating	Summary of Factors Underlying Rating ³
		<ul style="list-style-type: none"> The ancillary offence of conspiracy to money laundering is not punishable, the conspiracy offence does not apply to all forms of the aggravated money laundering offence, and members of a joint household with the offender cannot be prosecuted if they only used or consumed the proceeds of crime for ordinary needs in the joint household. The sanctions for conspiracy to commit aggravated money laundering and for participation in a criminal organisation are not effective, proportionate and dissuasive. Article 18(1)(b) of the <i>Terrorist Financing Convention</i> is not fully implemented, in particular the requirement for measures to ascertain the identity of beneficial owners.
36 – Mutual legal assistance (MLA)	LC	<ul style="list-style-type: none"> As dual criminality is required for exercise of coercive measures in response to a mutual legal assistance request, the limitations in the ML and TF offences limit the extent and effectiveness of mutual legal assistance provided by Finland. Effectiveness could not be fully assessed due to limited statistics and information on practical cases being available.
37 – Dual criminality	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
38 – MLA on confiscation and freezing	LC	<ul style="list-style-type: none"> It is not possible to confiscate property of corresponding value to the proceeds derived from ML. Finland has not considered establishing an asset forfeiture fund.
39 – Extradition	LC	<ul style="list-style-type: none"> Conspiracy to conduct money laundering is not criminalised, the offence of conspiracy to conduct aggravated ML laundering is limited in scope, self-laundering is not an offence and funding a terrorist or a terrorist organisation without a specific link to a terrorist act is not punishable in Finland. These factors could be obstacles to extradition limit the extraditions because of the requirement of dual criminality. Effectiveness could not be fully assessed due to limited statistics and information on practical cases being available.
40 – Other forms of co-operation	LC	<ul style="list-style-type: none"> Statistics are not available which would allow for sufficient evaluation of Finland's investment in international co-operation.
Nine Special Recommendations		
SR.I – Implement UN instruments	PC	<ul style="list-style-type: none"> Article 18(1)(b) of the <i>Terrorist Financing Convention</i> is not fully implemented, in particular the requirement for measures to ascertain the identity of beneficial owners. Finland does not have a national mechanism to give effect to requests for freezing assets and designations from other jurisdictions and it does not have a de-listing process. The definition of funds does not explicitly cover funds owned directly or indirectly by designated persons or those controlled directly or indirectly by designated persons. There are no procedures for accessing funds/assets that are frozen and that are determined to be necessary on humanitarian grounds in a manner consistent with S/RES/1452(2002).
SR.II – Criminalise TF	LC	<ul style="list-style-type: none"> Funding a terrorist or a terrorist organisation without a specific link to a terrorist act is not punishable in Finland. The maximum corporate fine is very low.
SR.III – Freeze and confiscate terrorist assets	PC	<ul style="list-style-type: none"> Finland does not have a national mechanism to consider requests for freezing from other countries or to freeze the funds of EU

Recommendations	Rating	Summary of Factors Underlying Rating ³
		<p>internals.</p> <ul style="list-style-type: none"> • The definition of funds in the EU regulations does not explicitly cover funds owned 'directly or indirectly' by designated persons or those controlled directly or indirectly by designated persons. • Finland does not have an established national procedure for the purpose of considering delisting requests. • Due to the limited nature of the terrorist financing offence, it is not clear how Finland would freeze funds or other assets where the suspect is an individual terrorist or involved in a terrorist organisation without a link to a specific terrorist act. • Finland has issued little specific and clear guidance to financial institutions and other persons or entities that may be holding targeted funds in Finland.
SR.IV – Suspicious transaction reporting	LC	<ul style="list-style-type: none"> • Suspicious transaction reporting is not required re TF unless the transaction is potentially connected to an act of terrorism.
SR.V – International co-operation	LC	<ul style="list-style-type: none"> • As dual criminality is required for exercise of coercive measures in response to a mutual legal assistance request, limitations in the TF offence limits the extent and effectiveness of mutual legal assistance provided by Finland where the funds / assets are being collected / provided for a terrorist organisation or individual terrorist and are not connected with a terrorist act. • Effectiveness could not be fully assessed due to limited statistics and information on practical cases being available. • The application of dual criminality may create an obstacle to extradition in cases involving TF where there is no link between the funding and a specific terrorist act.
SR.VI – AML requirements for money/value transfer services	PC	<ul style="list-style-type: none"> • Remittance services are obliged parties under the <i>AML/CFT Act</i> and are thus subject to the same limitations in the scope of those obligations as the other obliged parties. • Remittance services are not required to develop internal controls (R.15). • There is a registration system but no supervision of this sector and therefore no inspections are conducted (R.23) of these businesses. • Remittances services are subject only to criminal sanctions (R.17). • Effectiveness of the STR reporting obligation cannot be fully ascertained as there is no breakdown of STRs submitted by each money remittance business in Finland (R.16).
SR.VII – Wire transfer rules	PC	<ul style="list-style-type: none"> • The provisions relating to originator information for wire transfers within the EU (classified as domestic transfers) is not in compliance with the FATF requirements under SR.VII⁴. • There is no obligation in Finland for institutions to maintain address details, thus leading to incomplete identification procedures relating to wire transfers. • There are no provisions on penalties applicable to infringements of the wire transfer requirements for the money remittance sector.
SR.VIII – Non-profit organisations	PC	<ul style="list-style-type: none"> • There has been no review of the NPO sector and no identification of its vulnerabilities for terrorist financing. • Information is only obtained on those NPOs which are registered and an unknown number of NPOs are not registered with authorities. • No inspections are conducted of the NPO sector.

⁴ The FATF decided at the June 2007 plenary meeting to further consider this subject.

Recommendations	Rating	Summary of Factors Underlying Rating ³
		<ul style="list-style-type: none"> • The many authorities which have some information on NPOs do not share this information. • Authorities do not conduct outreach or provide guidance on terrorist financing to the NPO sector. • The system for obtaining information on NPOs is weakened by the overall lack of measures in Finland to record and obtain information on beneficial ownership.
SR.IX – Cross Border Declaration & Disclosure	PC	<ul style="list-style-type: none"> • Measures are very new; coming into force almost 2 months after the date of this assessment and thus it is too early to ascertain the effectiveness of this system. • The EU regulation and relevant national legislation do not cover the transfer of cash or bearer negotiable instruments between Finland and another EU member state.