

## REGULATORY INTELLIGENCE

**COUNTRY UPDATE-Finland: AML**

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**Member of the Financial Action Task Force? Yes.****Member of Egmont? Yes.****Recent developments**

During 2023, the Finnish Financial Intelligence Unit (the FIN-FIU), which operates within the Finnish National Bureau of Investigation, recorded more than 347,000 suspicious transaction reports. This is a significant increase from the previous year (2022: more than 230,000 reports in total). The number of reports submitted by credit institutions increased by 49%. The majority of the reports were submitted by obliged entities involved in payment transmission.

The Financial Action Task Force (FATF) published its country report on Finland in April 2019. The FATF in general concluded that Finland's AML/CTF measures are on an adequate level, but there is room for improvement. Based on FATF's findings, Finland was placed in an enhanced follow-up process. Finland has since taken steps to improve its AML/CTF framework in accordance with FATF's findings. For example, the Finnish Financial Supervisory Authority's (FIN-FSA) AML/CTF resources have been significantly increased during the past years. Consequently, in the follow-up report in October 2023, FATF concluded that Finland has made progress in addressing most of the technical compliance deficiencies identified in the country report, and as a result, the enhanced follow-up process was discontinued.

**Sources of regulation and relevant authorities**

The authorities supervising the obliged entities in accordance with the Finnish AML/CFT legislation are the FIN-FSA in respect of obliged entities in the financial sector, the National Police Board in respect of gambling operators in mainland Finland (Åland Islands has its own authorities), the Finnish Patent and Registration Office in respect of auditors, and the Regional State Administrative Agency for Southern Finland in respect of other obliged entities. In addition, the Finnish Bar Association supervises attorneys-at-law.

Finnish legislation on prevention of money laundering and terrorist financing is based on the EU's anti-money laundering directives, which are, in turn based on the FATF's recommendations.

The Finnish Ministry of the Interior and the Finnish Ministry of Finance are responsible for the adoption of anti-money laundering and counter-terrorism financing related legislation. The FIN-FIU processes reports of suspected money laundering and terrorist financing.

The EU's [Fourth Anti-Money Laundering Directive](#) (2015/849/EU, the AMLD4) took effect on June 25, 2015 and it was implemented to national legislation by the recast Act on the Prevention of Money Laundering and Terrorism Financing (2017/444, the AML Act) and the Act on the Financial Intelligence Unit (2017/445, the FIU Act). The Acts principally entered into force on July 3, 2017. In addition, the EU Regulation on information accompanying transfers of funds (2015/847/EU) is directly applicable in Finland.

The EU's [Fifth Anti-Money Laundering Directive](#) (2018/843/EU, the AMLD5) has been transposed into Finnish legislation through the Act on the Supervisory System of Bank Accounts and Payment Accounts (573/2019) which entered into force principally on May 1, 2019 (however, Sections 4 and 5 of the Act entered into force on September 1, 2020).

The EU's [Sixth Anti-Money Laundering Directive](#) (2018/1673/EU) (AMLD6) has been transposed into Finnish legislation through the Finnish Criminal Code (39/1889, the Criminal Code) and the changes entered into force on December 11, 2020.

Amendments to the AML Act with effect from March 31, 2023 corrected some deficiencies noted by the EU Commission regarding the transposition of the AMLD4 in Finland and to improve the alignment of the legislation with FATF recommendations. This, for example, encompassed including the financing of terrorism under the definition "suspicious transaction".

In 2021, the European Commission proposed new legislation to strengthen the EU's AML/CTF framework. This legislative package consists of a regulation establishing a new EU authority for AML/CTF (AMLA), a regulation on AML/CTF which will contain directly



applicable rules on, among others, customer due diligence and beneficial ownership, and a sixth directive on AML/CTF, which will replace the existing AMLD4. The European Commission indicated on April 24, 2024 that the final elements of the legislative package have been agreed by the co-legislators.

The 2015 Regulation on Transfers of Funds ([2015/847/EU](#), TFR) was revised in connection with the introduction of the EU Regulation on markets in crypto-assets (2023/1113/EU). The amendments to the TFR will expand the scope of obligations to crypto-assets with effect from 30 December 2024.

Until the EU regulation on AML/CTF enters into force, the primary source of anti-money laundering legislation in Finland is the AML Act. The Finnish Criminal Code sets out the provisions on money laundering and terrorist financing-related criminal sanctions. The Ministry of the Interior, the Ministry of Finance, the FIN-FSA and the FIN-FIU have issued decrees, rules, regulations and guidelines to supplement the legislation.

According to the Finnish Criminal Code, "money laundering" means receiving, using, converting, assigning, transferring, transmitting or possessing funds or other property acquired through an offence, the proceeds of a crime or property replacing such property, with the intention of obtaining benefit for oneself or for another, or covering or obscuring the illegal origin of such proceeds or property or assisting the offender in avoiding the legal consequences of the offence.

Additionally, money laundering also includes concealing or obliterating the true nature, origin, location or disposition of, or rights to, property acquired through an offence, the proceeds of an offence or property replacing such property. The objective of the legislation is to penalise the legitimisation of use of money obtained by illegal means. Assisting another person with any such activity also constitutes money laundering.

"Financing of terrorism" means receiving, providing or collecting money or other assets to finance terrorist acts, directly or indirectly, or being aware that these will be used to finance terrorist acts. Assets to fund these activities may originate from different organisations, which often have a legal and illegal aspect, e.g., the persons who make the donations may be unaware that the funds that are provided will actually be used to finance terrorism. Funds that are used for terrorist financing may also originate from entirely legitimate sources.

### **Obligated entities and cross border activity**

The AML Act and other money laundering and counter-terrorism financing rules apply to all entities under the FIN-FSA's supervision as well as to certain other entities and professions in Finland (obliged entities). The list of obliged entities under the FIN-FSA's supervision includes, among others: credit and financial institutions, investment firms, payment institutions, virtual currency providers, consumer credit providers and other institutions that operate in the securities and investment business, as well as Finnish branches and representative offices of international banks and investment firms. Also, attorneys, auditors and real estate brokers and certain other similar service providers are subject to the AML Act.

With respect to cross border activity by financial firms, Finnish AML/CTF rules as home state rules apply to the cross-border activity of Finnish financial firms in other EEA countries. Foreign EEA financial firms similarly comply with their home EEA rules when conducting activities in Finland cross border. However, the local host state AML/CTF rules apply to the branch activities of foreign financial firms in Finland, meaning that Finnish branches of EEA credit institutions, investment firms and similar service providers must comply with the AML Act.

### **Risk assessment**

According to the AML Act, all obliged entities must prepare and regularly update a written risk assessment to recognize and evaluate risks of money laundering and terrorist financing based on the nature, size, and scope of their activities. Obligated entities must have sufficient policies, procedures, and controls to prevent and manage these risks.

The risk assessment and amendments to it must be submitted, on request, to the relevant authority depending on the business of the obliged entity.

Finland's national risk assessment was originally published in 2021 and updated in February 2023.

### **Customer identification and customer due diligence**

#### *Obligation to identify a customer*

All obliged entities must identify their customers in accordance with the AML Act. The obligation to identify a customer applies generally to the establishment of a regular customer relationship and all other customers when the sum of a transaction (or total of several related transactions) amounts to 10,000 euros or more or, in case of virtual currency providers, and the amount of the transaction exceeds 1,000 euros.

The identity of a customer must always be established if there are reasons to suspect that the assets or other property are involved in a suspicious transaction, or if there are reasons to doubt the reliability and sufficiency of identification data of a previously identified customer.

The obligation to identify a customer also applies to casino activities, as well as other gambling services when the stake that is placed or the collected winnings in a single transaction, or in linked transactions, amount to 2,000 euros or more. In the case of transfers of funds at least partially carried out by electronic means on behalf of a payer through a payment service provider, the payment service



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provider must identify and authenticate the information on the payer where the amount exceeds 1,000 euros. Where a person acts on behalf of the customer, both the customer and the representative must be identified.

#### *Beneficial owners*

Obligated entities must identify the beneficial owners of their customers. The obligation includes an obligation to maintain sufficient, accurate and up-to-date information on the customers' beneficial owners. Where necessary, the identity of the beneficial owner must be verified.

Entities registered in the Finnish Trade Register or Finnish Register of Associations held by the Finnish Patent and Registration Office (including, among others, companies as well as associations and foundations) are required to appropriately obtain and hold accurate and current register on their beneficial owners and provide information on their beneficial owners on request to obliged entities. These entities are also obliged to register their beneficial owners to the applicable register.

#### *Customer due diligence*

In addition to customer identification, obliged entities must verify their customer's identity.

The nature of the customer relationship and the risk level of the customer and the services set out the required level of customer due diligence (CDD).

The CDD must be risk-based and take into account risks relating to, for example, specific countries or geographic areas, business transactions, products, services, distribution chains and certain types of customers. The risk-based assessment must form the basis for the CDD throughout the entire customer relationship. Accordingly, obliged entities must have sufficient systems in proportion with the nature and scale of their activities, to manage money laundering and financing of terrorism risks.

Standard CDD generally applies to all customers. However, simplified CDD can be used if, based on the obliged entity's risk assessment, the customer relationship or individual transaction involves a low risk for money laundering and financing of terrorism.

If the risk of money laundering or terrorist financing is deemed higher than usual based on the risk assessment, the obliged entity must perform enhanced CDD. Enhanced CDD must be carried out also when a client or transaction is connected to a jurisdiction where the system for prevention of money laundering or terrorist financing, according to the EU Commission, comprises a significant risk to the EU's internal market or which does not comply with international obligations. Enhanced CDD requirements apply also to a client relationship involving a politically exposed person (PEP).

Obligated entities must be able to show to the supervisory authorities that their customer identification and CDD processes are sufficient in terms of the risks of money laundering and terrorist financing.

#### **Ongoing monitoring of the client relationship and the client's transactions**

The CDD obligation is a continuing obligation, i.e., obliged entities must continuously monitor the customer relationship to be able to discover any suspicious transactions or other customer activities that do not correspond with the obliged entity's past experience and information on the customer. Any suspicious transactions must be reported to the FIN-FIU.

#### **Recordkeeping and documentation**

Customer identification and CDD procedures must be documented. The AML Act sets out a detailed list of the CDD information that must be obtained and appropriately stored for at least five years from the end of the customer relationship or transaction. For example, a customer's identity must be established with an official identification document, such as a passport. The identity of a legal entity should be established with an up-to-date extract from an official register.

#### **Refusal to carry out transactions and reporting obligations**

The obliged entities must without delay inform the FIN-FIU of any suspicious transactions.

If an obliged entity considers that the transaction is suspicious, or that the assets are used to commit an offence (e.g., financing of terrorism, or a punishable attempt of such an offence), the transaction must be suspended for further inquiries or the obliged entity must refuse to conduct the transaction altogether.

If it is not possible to refrain from carrying out the transaction, or if suspending or refusing to conduct the transaction is likely to frustrate efforts to pursue the beneficiaries of the suspected transaction, the transaction may be carried out, after which a suspicious transaction report must be made without delay.

The refusal to carry out transactions and the reporting obligations apply to all suspicious transactions, not just to those above the thresholds under the AML Act.

After receiving a suspicious transaction report, the FIN-FIU may give an order to refrain from carrying out the transaction for no more than 10 working days, if such refraining is deemed necessary. The FIN-FIU gave a total of 127 refrainment orders during 2023, totalling approximately 3.2 million euros, which was less than in 2022 (5.3 million euros in 2022).

#### **Registration obligation**



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Obligated entities, which are not subject to a licence obligation or are not otherwise registered at the Regional State Administrative Agency, must register at the Money Laundering Supervisory Register held by the Regional State Administrative Agency. Such obligated entities include, among others, money transmission and currency exchange operators, certain legal and tax service providers (excluding attorneys), bookkeepers and unlicensed financial service providers.

### **Criminal liability and penalties**

According to the AML Act, a person who, deliberately or by negligence, fails to fulfil the obligation to identify a customer, carry out customer due diligence or keep records of the identification data is subject to an administrative sanction. Potential sanctions include an administrative fine (for legal entities 1,000-100,000 euros), public warning and/or penalty payment (depending on the type of entity can be up to 10% of revenue or 5 million euros). The same applies to a failure to comply with the reporting obligations and the relevant registration obligations.

More severe money laundering offences are subject to criminal sanctions under the Criminal Code. A person who is found guilty of deliberate or negligent money laundering is subject to a pecuniary penalty or imprisonment for a maximum of two years, or in the case of an aggravated money laundering offence, up to a maximum of six years. Offences related to the financing and promotion of terrorism are subject to prison sentences of up to eight years. According to the Criminal Code, the provisions on corporate criminal liability apply to money laundering offences. Corporate criminal liability may entail a corporate fine ranging from 850 euros to 850,000 euros.

*This country profile is kindly provided by Jari Tukiainen and Senni Kinnaslampi, [Hannes Snellman](#)*

[Complaints Procedure](#)

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