

MONEYVAL: Fifth Round Evaluation Report on Estonia



András Csúri

News

On 25 January 2023, MONEYVAL published its [fifth-round evaluation report on Estonia](#) based on an onsite visit concluded in May 2022. Among other things, the report encourages the country to reinforce the capacities and performance of the private sector and improve its law enforcement efforts in the field of AML/CFT. MONEYVAL acknowledges that Estonia has demonstrated a substantial level of effectiveness in international cooperation, the use of financial intelligence, and implementation of the United Nations targeted financial sanctions on proliferation financing.

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Estonia has an appropriate mechanism in place for the identification, assessment, and, subsequently, understanding of ML/TF risks: national risk assessments with access to all data available in the country from public and non-public sources. While the results provide useful glimpses of sectors with higher risk exposure, they do not give a fully sufficient view of the risk environment. All competent authorities have a role in the implementation of the activities under the relevant national policy, but the outcomes of nationwide risk assessment exercises have not been integrated into the objectives and activities of individual authorities.



National cooperation and coordination is a strong feature of the country's AML/CFT regime, and MONEYVAL commends Estonia for the practice of co-ordination and co-operation between the Estonian Financial Intelligence Unit (EFIU) and the law enforcement authorities (LEAs). At the same time, a number of the EFIU's practices compromise the detection of crime and the tracing of assets, such as face-to-face meetings with the affected party to obtain further clarification on suspicious transactions, or lengthy suspension orders that result in the customer being notified of the application of the measure.

In view of its current heavy reliance on the LEA's leadership, there is also need for a moderate improvement of the EFIU's capacities and working practices when reinforcing its proactive approach in detecting ML/TF targets. According to MONEYVAL this is a priority issue for Estonia, given the EFIU's powerful position to observe and detect the movement of illicit flows.

More efforts are required on the part of the Supreme Court to improve the current interpretation of the ML offence, which is one of the main reasons for the relatively low number of identified and investigated ML cases. The criminal sanctions applied for ML offences call into question their dissuasiveness and effectiveness. Confiscation is recognized as a policy objective, but the proceeds of crime in specific cases were much higher than the amounts subject to confiscation. Moreover, Estonia does not proactively pursue proceeds moved abroad and sanctions applied for undeclared cash are minor.

The authorities undertake investigations into TF and have achieved one conviction, which does not fully correspond to the risk profile of the country. One of the reasons for this is the deficiency in TF risk

understanding. While authorities use a range of sources of information when identifying and investigating TF, information published by the EFIU and its financial investigations could be better used to identify potential TF offences.

Significant improvement was achieved in the implementation of preventative measures during the assessment period, as a result of focused supervisory actions. The understanding of ML/TF risks is good in the banking sector. Virtual assets service providers (VASPs) and Company Service Providers (CSPs) demonstrated a superficial understanding of the ML risks to which their individual businesses are exposed. Understanding TF risk is generally lower across all sectors. Banks and VASPs generally have a good understanding of their AML/CFT obligations, while CSPs only have a lesser degree of understanding. Therefore, MONEYVAL expects continued efforts on the part of the supervisory authorities to strengthen the implementation of preventative measures in the private sector. The competent authorities have the power to access information, but the measures to prevent misuse of legal persons do not fully enable the availability of adequate, current, and accurate information on beneficial ownership.

The large share of Estonian companies with e-Residents as their basic or beneficial owners, significant involvement of licensed and non-licensed CSPs in the company registration processes, coupled with poorly designed and vaguely understood customer due diligence measures, are factors having an adverse impact on the quality of information on beneficial ownership. Applicable sanctions are not effective.

Estonia has reserved the right to refuse assistance based on the dual criminality principle with regard to non-EU countries. The country otherwise generally provides timely and constructive assistance across the range of requests for international co-operation, including mutual legal assistance.

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