

## WHAT HAPPENS IF A SUSPICION IS NOT REPORTED

Failure to report a suspicion of money laundering and terrorism financing and filing inaccurate data is punishable by a monetary fine of up to 18,000 kroons or arrest. A legal person can be punished for such an act by a monetary fine of up to 500,000 kroons. In the case of notaries and advocates, an exception applies to the obligation of notification if the notary or advocate assesses the legal situation of a client, or defends or represents the client in judicial, challenge or other proceedings.

Credit institutions, notaries, advocates, gambling organizers, traders and other persons implementing the act must notify the Financial Intelligence Unit of all suspicious and unusual transactions, the characteristics of which are indicative of money laundering or the financing of terrorism. All transactions involving the payment of 500,000 kroons or more in cash must be reported.

Prevention of money laundering and terrorism financing is important for making life in Estonia - as well as the rest of the world - more secure and stable. If you have any additional questions or desire information on the Money Laundering and Terrorism Financing Prevention Act, please send them to [info@fin.ee](mailto:info@fin.ee).

## MORE INFORMATION

For more information related to the Money Laundering and Terrorism Financing Prevention Act, please visit the following links:

### Financial Intelligence Unit (EST)

<http://www.politsei.ee/?id=814>

### Money Laundering and Terrorist Financing Prevention Act

<http://www.legaltext.ee/text/en/X30024K4.htm>

Estonian Penal Code <http://www.legaltext.ee/text/en/X30068K7.htm>

### Estonian International Sanctions Act

<http://www.legaltext.ee/text/en/X70011K1.htm>

### An overview of sanctions in the European Union common foreign and security policy:

[http://ec.europa.eu/external\\_relations/cfsp/sanctions/index.htm](http://ec.europa.eu/external_relations/cfsp/sanctions/index.htm)

### UN money laundering prevention website

<http://www.unodc.org/unodc/en/money-laundering/index.html>

### Council of Europe money laundering prevention website

[http://www.coe.int/t/e/legal\\_affairs/legal\\_co-operation/combating\\_economic\\_crime/5\\_Money\\_laundering/Default.asp#TopOfPage](http://www.coe.int/t/e/legal_affairs/legal_co-operation/combating_economic_crime/5_Money_laundering/Default.asp#TopOfPage)

### Council of Europe terrorism prevention website

[http://www.coe.int/t/e/legal\\_affairs/legal\\_co-operation/Fight\\_against\\_terrorism/](http://www.coe.int/t/e/legal_affairs/legal_co-operation/Fight_against_terrorism/)

### List of sanctions currently in force established in the European Union can be found on the Council of the European Union home page (in English)

[http://ec.europa.eu/external\\_relations/cfsp/sanctions/measures.htm](http://ec.europa.eu/external_relations/cfsp/sanctions/measures.htm)



# Money laundering and terrorism

must also be combated in Estonia



**In early 2008, the new Money Laundering and Terrorism Financing Prevention Act was adopted. Its goal is to ensure a secure society and stable economy. Every company and citizen has a part to play in implementing the Act.**

### **WHY DO WE NEED THE ACT?**

This legal act is necessary for reducing crime, prevent unlawful enrichment by illegal means, and to reduce the threat of corruption.

If the state is not able to prevent money-laundering and terrorism financing, the reputation of the state may be harmed and the economic climate may worsen. That is why Estonia is, with this Act, increasing the effectiveness of its internal system for preventing such crime.

### **WHAT IS MONEY LAUNDERING?**

Money laundering is the acquisition, possession, use or delivery of assets obtained through criminal activity or the conducting of transactions involving such assets. Money laundering is used to conceal the identity of the actual owner of the assets and their illegal origin. Money laundering and participating in such activity is a crime.

Money laundering can be, for example, buying goods and services for money obtained by criminal means, lending, borrowing or safekeeping or depositing such money, or accepting gifts or benefits acquired for such money. A more detailed definition of money laundering is set forth in the Act.

### **WHAT IS TERRORISM FINANCING?**

Terrorism financing is the appropriation or accumulation of funds for perpetrating or preparing acts of terrorism or inciting such activity. It also includes the financing of the activities of an individual terrorist or terrorist groups.

### **WHY IS MONEY LAUNDERING A THREAT?**

#### **It serves the interests of criminals**

- Money laundering is a source of funds that can be used to commit new crimes (including terrorist activity).
- Money laundering is a means to unjust enrichment.
- Money laundering strengthens criminal structures both in Estonia and outside.
- The threat of corruption increases as a result of money laundering.

#### **It leads to social injustice**

- As no taxes are paid on criminal income, members of society who obey the law unjustly bear a disproportionately larger burden - the tax burden is distributed unfairly.

#### **It harms the economy and image**

- Money laundering makes the economy vulnerable as it leads to fluidity of capital. This can increase the need for cash, cause interest rate, exchange rate and price volatility and promote inflation.
- Money laundering causes monetary losses, undermines the functioning of society and does harm to the reputation of the state.
- Money laundering reduces growth of the world economy, destabilizes financial markets and makes statistics unreliable.

### **WHO IS RESPONSIBLE FOR IMPLEMENTING THE ACT?**

The new legal act expands the categories of persons who are obliged to implement the requirements of the Money Laundering and Terrorism Financing Prevention Act in their activity, to the following:

- credit and financing institutions
- notaries
- advocates
- bailiffs
- trustees in bankruptcy
- auditors
- organizers of gambling
- real estate brokers
- sellers of precious objects

The requirements are also compulsory for providers of accounting services, for persons dispensing tax and legal advice and, in the case of transactions stipulated in the Act, for all companies.

### **WHAT ARE THE IMPLICATIONS OF THE NEW ACT FOR CITIZENS?**

**The legal act becomes relevant for citizens above all when they wish to pay a very large amount of cash for a service or good.**

If 200,000 kroons or more is paid in cash upon a transaction or signing of a long-term agreement, the person conducting the transaction, or their representative, must present identification and letters of authorization, and, if so requested, explain the purpose of the agreement.

The representative of a legal person must provide information on the owners of the company and on natural persons who are the actual beneficiaries of the agreement or who are behind the company's transactions. Every one of these persons must be able to account for the origin of their assets.

**If the required documents are not presented and no information is provided on the purposes of the transaction and the legal origin of the assets of the person and the actual beneficiary of the transaction, the counterparty to the transaction must refuse to enter into the agreement or conduct the transaction.**

The legal act must be implemented, and the abovementioned information requested, also if the transactions are conducted by telephone or via the Internet.

