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Chair of the Management Board of Finantsinspektsioon, Kilvar Kessler, presented the 2018 annual report of Finantsinspektsioon to the Riigikogu on 16 May 2019.

“The past year was one when the fight against money laundering took centre stage. The recognition of the importance of breaching anti-money laundering rules that was shown by the application by Finantsinspektsioon for the operating licence to be withdrawn from Versobank set a precedent that changed the paradigms for the whole of Europe”, he said. “It became clear that many other European banks had connections with risky non-resident business in ways where the control systems could not identify or manage the risks. Finantsinspektsioon was one of the first to start cleaning up this area, as early as 2014”. Even though it is not by law the first priority for financial supervision, Finantsinspektsioon will continue to take a very serious stance against money laundering and terrorist financing. This will mean tightening domestic and international cooperation with partners even further.

One example of the new dimensions for international cooperation is the imaginary financial crisis in the region that was prepared jointly last year and war-gamed this year by the Baltic, Scandinavian and European Union financial supervision and resolution authorities. “Like the armed forces, it is good practice for financial supervision institutions to test their capacity by war-gaming from time to time. The results of the exercise have by now been analysed, weaknesses addressed and feedback given to participants. The Estonian institutions that took part in the exercise handled their tasks very well”, said Mr Kessler.

Commenting on risks and weaknesses, he drew the attention of Riigikogu members to the unsatisfactory nature of monetary fines in the financial sector. “We have been highlighting since 2004 to our partners that the monetary fines in the financial sector have no impact. They have risen over time from 3200 euros to 32,000 euros and in some cases even to 400,000 euros, but these numbers are not enough of a deterrent for big, professional financial intermediaries”. The fines need to be large enough that it is not worth taking excessive risks or breaking the law. It should also be possible to use fines to get compensation for harm done to the public interest.

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