
Prevention of money laundering in general

Prevention of money laundering in Estonia

Competent authorities in Estonia

In Estonia, the following institutions and entities are engaged in the prevention of money laundering and terrorist financing, each within the limits of their competence provided by law:

- [Financial Intelligence Unit \(FIU\)](#)
- Investigative authorities ([Police and Border Guard Board](#), [Internal Security Service \(KAPO\)](#), [Estonian Tax and Customs Board](#));
- [Office of the Prosecutor General](#) and [Estonian courts](#)
- Finantsinspektsioon and other supervisory authorities such as [Notarite Koda](#) and [Estonian Bar Association](#)
- Credit and financial institutions and other obligated persons within the meaning of the Estonian Money Laundering and Terrorist Financing Prevention Act
- [Ministry of Finance](#) and [Ministry of Interior](#)
- etc.

The Financial Intelligence Unit has primary responsibility for monitoring money laundering and it collects information and observes income from criminal activities. The unit has the right to receive information from Finantsinspektsioon and other state and local government institutions, and under an injunction from individuals, on activities, transactions and people suspected of involvement in money laundering or terrorist financing.

The overall responsibility for the legislative background and coordination of the prevention of money laundering and terrorist financing lies with the Ministry of Finance.

Government Commission for the prevention of money laundering

The Government Commission for the coordination of the prevention of money laundering and terrorist financing was established by Government Order No. 285 of 11 May 2006. The members of the Commission are representatives of public sector institutions and other institutions involved in the fight against money laundering. The Commission was established to set up a national coordination system, as finding an effective solution to the problems in this area requires constant cooperation between the authorities and individuals involved. The Commission consists of representatives of several ministries, the Tax and Customs Board, the Prosecutor's Office, police authorities, Eesti Pank and the Finantsinspektsioon. The Commission shall meet as necessary, but not less frequently than once every four months.

The role and competence of the Finantsinspektsioon

One measure for maintaining confidence in the Estonian financial system and ensuring transparency is the important ongoing work to counter money laundering and terrorism. Finantsinspektsioon, as the financial supervisory authority, is involved in preventing money laundering primarily through its monitoring of financial institutions as part of its supervisory work. It is responsible for ensuring that the organisation and risk management of banks and other financial institutions employ processes and systems that match the business strategy and risks, and that those systems are sufficiently staffed. This covers credit issuance, provision of payment services and investment services, insurance risks, and the organisation of financial institution more broadly. One part of risk management is the 'know-your-client' principle, and following that helps combat money laundering and terrorism financing.

The role of financial supervision is to monitor the processes and systems of those under supervision, not to establish whether money laundering has occurred in specific cases. If evidence of money laundering or terrorist financing is uncovered by Finantsinspektsioon during supervision, then this is passed on to the Financial Intelligence Unit as required by law.

Prevention of money laundering internationally

In the field of prevention of money laundering, in addition to national co-operation, it is also important to represent Estonia's interests in international committees and working groups dealing with the implementation and evaluation of the effectiveness of anti-money laundering and anti-terrorist financing standards.

Internationally, the following institutions deal with the prevention of money laundering and terrorist financing:

- [Financial Actions Task Force \(FATF\)](#)
- [MONEYVAL](#)
- [European Banking Authority \(EBA\)](#)
- [European Central Bank](#)
- [Basel Committee \(BCBS\)](#)

The [Financial Actions Task Force \(FATF\)](#) is an intergovernmental body that sets international standards and methodologies that aim to prevent money laundering and terrorist financing. Based on the methodology developed by the FATF, the assessment of FATF countries and countries belonging to regional organizations (including MONEYVAL) is carried out.

[Select Committee of Experts on the Evaluation of Anti Money Laundering Measures \(MONEYVAL\)](#) is an expert committee of the European Council, which assesses measures taken against money laundering. MONEYVAL assesses the level of implementation of measures taken against money laundering in those Council of Europe member states that are not members of the FATF.

The [European Banking Authority \(EBA\)](#) is required to ensure the integrity, transparency and orderly functioning of financial markets. Within this mandate, the EBA works to stop the financial system being used for money laundering and terrorist financing.

The [European Central Bank \(ECB\)](#) is an official EU institution at the heart of the eurosystem and the Single Supervisory Mechanism. Finantsinspektsioon supervises the larger banks in Estonia together with the European Central Bank and supervises smaller credit institutions independently, but the main responsibility for supervision of branches operating in Estonia of banks from European Union member states that are not in the euro area lies with the supervisory authority of that country.

The [Basel Committee on Banking Supervision \(BCBS\)](#) is the primary global standard setter for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters. Basel Committee provides guidelines to strengthen the interaction and cooperation between prudential and AML/CFT supervisors.

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