

## ADVISORY GUIDELINES OF THE FINANCIAL INTELLIGENCE UNIT

### REGARDING THE CHARACTERISTICS OF TRANSACTIONS SUSPECTED OF TERRORIST FINANCING

21 January 2013

1. The present explanatory guidelines have been issued and published pursuant to subsection 3 of section 39 of the Money Laundering and Terrorist Financing Prevention Act (hereinafter the "Act") (State Gazette (*Riigi Teataja – RT*) I 2008, 3, 27, 177; last amendment [RT I, 08.05.2012, 1](#)).
2. These guidelines and the amendments thereto have been coordinated with the Security Police Board and the Advisory Committee established on the basis of section 3 of Order No. 285 of the Government of the Republic "Establishment of Government Committee for Coordination of Issues Concerning Prevention of Money Laundering and Terrorist Financing" of 11 May 2006. Financial Investigation Unit (FIU) will amend the guidelines proceeding from developments in typology of terrorist financing. The guidelines will be published at official homepage of the Financial Investigation Unit: <http://www.politsei.ee/et/organisatsioon/rahapesu/juhendid/>.
3. By applying these guidelines, it shall be considered requirements proceeding from valid legal acts and other advisory guidelines regulating prevention of money laundering and terrorist financing. In case of imperative requirements proceeding of legal acts, it shall be proceeded from provisions of legal acts. In case of implementing and interpretation problems arising from application of the guidelines, it shall be proceeded from principle of reasonableness, taking into account the aim of these guidelines and to act in good will and in accordance with due diligence expected from the obligated person.
4. If the definition 'person' does not contain any clarification in the list of the characteristics of transactions suspected of terrorist financing (hereinafter the List), 'person' means a natural as well as a legal person or another entity.
5. The number, i.e. the indicator of the characteristics which served as the basis for sending the notification must be added to the notification. First, the general indicator must be noted, followed by the activity indicator (e.g. if a citizen of the risk country deposits cash in an account, the indicator is 2.2.1). If necessary, several indicators can

be given, putting the indicator that instigated the suspicion in the first place. Using numbers makes generation of notifications and later feedback easier.

6. The principle of establishing transactions suspected of terrorist financing is matching of general indicator and activity-based indicator. By sending notifications to the Financial Investigation Unit, the general indicator shall be marked down first and thereafter the activity-based indicator.

7. International lists of financial sanctions. In establishing the common positions of the European Union, which establish sanctions against a third country or its citizens, the Member States shall ensure that their national policies conform to the common positions (Treaty of European Union, article 15).

All measures established in the decrees of the Council of Europe, which establish sanctions against a third country or its citizens, are on the whole binding upon and directly applicable in the Member States of the European Union (Treaty Establishing the European Community, article 249). Information about sanctions imposed for the purpose of implementation of the Common Foreign and Security Policy of the European Union is published in the Official Journal of the European Union and via other media channels. In Estonia international sanctions are imposed nationally usually either on the basis of a respective legal act of the Government of the Republic established in International Sanctions Act or in direct implementation of the EU decrees. Credit and financial institutions and other subjects are obligated to verify upon establishment of customer relationships and execution of transactions whether the natural person, legal person or another entity has been included in the Consolidated List of financial sanctions of the European Union<sup>1</sup> or UN<sup>2</sup>. Upon detection of a natural person, legal person or another entity included in the list, the Financial Intelligence Unit shall be notified thereof promptly pursuant to subsections 32 (1) and (5) of the Money Laundering and Terrorist Financing Prevention Act and the transactions shall be suspended. By preparing of such a notification to the FIU, it shall be chosen "subject of International Sanction Act" as type of the notification.

8. Definitions:

– *risk country* means a country or region of interest from the point of view of combating terrorism where the risk of terrorism has increased. Financial Intelligence Unit may provide to the obligated subjects with additional information about risk countries or regions in the course of work;

---

<sup>1</sup> The Consolidated List of the EU is available at: [http://eeas.europa.eu/cfsp/sanctions/consol-list\\_en.htm](http://eeas.europa.eu/cfsp/sanctions/consol-list_en.htm)

<sup>2</sup> The Consolidated List of the UN is available at:  
<http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>

– *tax-free territory* means a territory where persons registered in the territory are subject to minimum or no tax obligation. The list of the territories is available at webpage of the Tax and Customs Board at: <http://www.emta.ee/index.php?id=1950>.

### *List of the characteristics of suspicious transactions referring to terrorist financing*

#### **General indicators:**

1. The natural person was born in a risk country;
2. The natural person is a citizen of a risk country;
3. The natural person has a place of residence in a risk country;
4. The natural person is associated with a legal person or another entity registered in a risk country;
5. The legal person or another entity has been registered in a risk country;
6. The parent company of the ranch of the legal person or another entity has been registered in a risk country.

#### **Activity indicators for credit and financial institutions:**

##### **1. Upon opening a current account**

- 1.1 The person submits documents that show obvious signs of forgery or where there is suspicion of forgery (poor quality, incorrect names, date of birth is 01.01.19...., etc.);
- 1.2 The person uses outside assistance in filling in documents or is unable to fill in the documents;
- 1.3 The person does not know the nature, actual owners, location or contact details of the legal person or another entity (incl. non-governmental (NGO) or non-profit organisation (NPO));
- 1.4 There are controversies in the documentation of the legal person or another entity;
- 1.5 The person submits an invalid or incorrect authorisation document or identity document;
- 1.6 The person cannot explain why they need the services (the size of the overdraft limits does not correspond to the actual turnover, several bankcards are ordered, etc.);
- 1.7 The legal person has been registered in a tax heaven or tax-free territory;
- 1.8 The contribution of the initial capital is made in cash in a currency used in the risk countries;
- 1.9 The contribution of the initial capital is transferred immediately after opening the account to a bank located in the risk country;

- 1.10 Immediately after opening the account the contribution of the initial capital is transferred to the account of a person associated with a risk country;
- 1.11 The person asks to send the bankcards and password cards at their address in a risk country;
- 1.12 The person's address is that of a post office;
- 1.13 Other suspicious behaviour (nervousness, ignorance of banking services, interest in the speed of execution of the transaction, interest in settlement limits, interest in transaction limits – when will law enforcement structures be notified, etc.).

## **2. Cash transactions**

- 2.1 Single deposits or withdrawals of cash exceeding EUR 320;
- 2.2 A currency exchange transaction involving a currency that is in circulation in a risk country, which exceeds EUR 320;
- 2.3 Accrual of single large amounts on the account of an individual, which is immediately withdrawn in cash or by a bankcard (in ATM);
- 2.4 Regular payments of cash to the account of a natural person also in smaller amounts than in p. 2.1, which are thereafter transferred to different accounts in larger amounts;
- 2.5 Cash transfers to a risk country without opening an account;
- 2.6 Cash transfers to a person associated with a risk country without opening an account;
- 2.7 A single and extraordinary large cash transfer to a previously unknown customer or a customer registered in a low-tax territory;
- 2.8 The person's unusual interest in cash limits;
- 2.9 Systematic depositing of cash by a legal person or another entity (incl. NGOs, NPOs), which is not engaged in retail trade or service;
- 2.10 Systematic depositing of cash to the account of a non-profit association (NGOs, NPOs) that are operating in a risk country or activity fields of which include providing assistance to risk countries or if payment contains explanations in Arabic or other incomprehensible explanation<sup>3</sup>;
- 2.11 Cash deposits exceeding EUR 320 through bank terminals;
- 2.12 A cash transfer the description of which on the order is illegible or incomprehensible;
- 2.13 Withdrawal of all the money on the account in cash;
- 2.14 Prior information received from law enforcement agencies regarding suspicious transactions of the person;

---

<sup>3</sup> Possible explanations: sadaqa, sadaga, zakat, zakaat, ramadaan, ei al'adha, iftar, haj, sponsor aid

- 2.15 Other suspicious behaviour (nervousness, ignorance of banking services, interest in the speed of execution of the transaction, interest in transaction limits, interest in transaction limits – when is identification of the person necessary, when will law enforcement structures be notified, evasion of security measures, evasion of security cameras, etc.);
- 2.16 The accrued amounts are withdrawn from the ATMs of other banks (or banks of risk countries);
- 2.17 The accrued amounts are withdrawn by parts via different bank branches;
- 2.18 Large deposit transactions made via a bank terminal;
- 2.19 Various cash deposits to an account from different bank branches within the same day, which amount to a large sum in total.

### **3. Non-cash transactions**

- 3.1 The person makes a transfer to a risk country to a current account that has not come up before;
- 3.2 The person receives a transfer from a risk country from a current account that has not come up before;
- 3.3 The person makes a transfer to Estonia to a customer who is associated with a risk country which has not come up before;
- 3.4 A customer from a risk country which has not come up before makes a transfer to the person's account in Estonia;
- 3.5 A non-profit association (NGO, NPO) operating in a risk country or the activity field of which is providing assistance to risk countries makes a transfer to the person's account in Estonia or if there are explanations on payment order (for example, dole, donation, sadaqa, sadaga, zakat, zakaat, ramadaan, ei al'adha, iftar, haj, sponsor aid) or other details of payment that are not comprehensible;
- 3.6 The person makes a transfer to the account of a non-profit association (NGO, NPO) that is operating in a risk country or the activity field of which is providing assistance to risk countries or if there are explanations on payment order (for example, dole, donation, sadaqa, sadaga, zakat, zakaat, ramadaan, ei al'adha, iftar, haj, sponsor aid) or other details of payment that are not comprehensible;
- 3.7 The person makes a transfer to a tax-free territory;
- 3.8 A single and extraordinary large transfer to a previously unknown customer or a customer registered in a tax-free territory is made;

- 3.9 The payments of persons associated with various risk countries to the same account without sufficient explanation;
- 3.10 Transfers of the person to the accounts of persons associated with various risk countries;
- 3.11 One of the parties to a transfer is a credit or financial institution registered in a risk country;
- 3.12 One of the parties to a transfer is a credit or financial institution registered in a tax-free territory;
- 3.13 A single large or regular purchase and sale of Internet money (e-money) or payments for other financial instruments which are advertised as instruments offering confidentiality;
- 3.14 A transfer made via an Internet bank the description of which is illegible or incomprehensible;
- 3.15 Internet-based payments whereby the computer's IP address is located in a risk country;
- 3.16 Circulation of large sums in a closed contour (between different credit institutions);
- 3.17 Movements of large sums (between various persons) within one credit institution within one day;
- 3.18 Prior information received from law enforcement agencies regarding suspicious transactions of the person;
- 3.19 Outgoing and incoming payments of the person, which fall just short of the sum which brings about the obligation to notify the FIU.

#### **4. Activity indicators to providers of currency exchange services:**

- 4.1 A currency exchange transaction involving a currency that is in circulation in a risk country, which exceeds EUR 320;
- 4.2 Large amounts in different currencies are periodically brought for exchanging by the same persons;
- 4.3 A currency is purchased in cash for a large amount;
- 4.4 Upon exchanging a large amount of cash, it is asked to transfer the exchanged money to the bank account of another person or to a bank account in another country;
- 4.5 Prior information received from law enforcement agencies regarding suspicious transactions of the person;

4.6 Transactions made by the person, which fall just short of the sum which brings about the obligation to identify the person or notify the FIU.

**5. Activity indicators in connection with real estate transactions (to notaries and persons are conducting or brokering transactions with real estate):**

5.1 Real estate transactions are made in cash and there are other suspicious circumstances present;

5.2 In real estate transactions involving leasing or credit instalments are made in cash;

5.3 At least one of the parties to the contract refuses to provide sufficient information about himself or herself;

5.4 The payment for a real estate transaction is made through a bank in a risk country;

5.5 Prior information received from law enforcement agencies regarding suspicious transactions of the person.

5.6 A legal person or another entity registered in a low-tax territory or risk country pays for the real estate;

**6. Activity-based indicators to organisers of gambling**

Indicators apply to persons born in a risk country or to citizens of a risk country:

6.1. Tokens bought for large amounts of money or units of monetary stakes (so-called game nominals) are resold by a person born in a risk country or by a citizen of a risk country with the wish to deposit it on a bank account as winnings;

6.2. The person impersonates someone else;

6.3. The person buys out someone else's winning in cash;

6.4. The person asks the winnings to be deposited on someone else's bank account;

6.5. The person systematically wins large amounts of money;

6.6. The person requests to written proof for the amount won in the name of a third party;

6.7. The person expresses a wish for exchange of lower-value banknotes for higher-value banknotes;

6.8. The person uses a credit or debit card a of a legal person or governmental authority or an agency administered by a governmental authority or a card with no personal data;

6.9. The person purchases units of monetary stakes (so-called game nominals) in cash for a large amount of money (more than EUR 2,000 in value);

6.10. After a short period of gambling, the person wants to exchange the remaining credit (more than EUR 2,000 in value) for money and demands that the organiser of gambling issues a document which certifies that the money was paid out to him/her.

## **7. Activity-based indicators to auditors and persons providing consultation services in the field of accounting and taxation**

Below are listed characteristics in case of which it should be analysed possibility of detection of possible transactions with money laundering suspicion during the work carried out in course of ordinary professional activities:

7.1 The legal person pays for various payments for economically unjustified services (for example, consultation services, etc.) to a person registered in a risk country, if this does not coincide with its regular economic activities or with area where the incorporated entity has its business interests;

7.2 Receipts of money from an incorporated entity registered in a risk-country or from a person of a risk country, if it is not related to regular economic activities of the incorporated entity and/or this is immediately withdrawn in cash or transferred;

7.3 Frequent transactions with cash, that is clearly unusual having in mind the activity field of a person and if a person /persons are related to a risk country or if a person has business interests in a risk country.

## **8. Activity-based indicators to lawyers and other persons providing legal services**

*Proceeding from subsection 3 (2) of the Money Laundering and Terrorist Financing Prevention Act, requirements of MLTFA and proceeding from these notification obligation applies to notaries public, attorneys, enforcement officers, bankruptcy trustees, interim bankruptcy trustees and providers of other legal services if they act in the name and on account of a customer in financial or real property transactions or if they assist the customer by planning or entry into a transaction, which involves the following:*

- 1) the purchase or sale of immovables, enterprises or shares of companies;*
- 2) the management of the customer's money, securities or other property;*

- 3) *the opening or managing of bank accounts or security accounts;*
- 4) *the acquisition of funds necessary for the foundation, operation or management of companies;*
- 5) *the foundation, operation or management of trusts, companies or other similar entities.*

8.1 A person from a risk country wishes to use the services of lawyers in the formation of the enterprise (e.g. trusts and international commercial enterprise) with the aim of maintaining its anonymity and hide the (illegal) origin of funds;

8.2 A person wishes to use the account of lawyers or other persons who provide legal services with the aim of ensuring his/her anonymity thereby;

8.3 A person originating from a risk country calls upon a lawyer with the aim of concluding a purchase or sales transaction of real property in a value which exceeds the market value or is remarkably lower than the market value or is other ways unusual. The same applies to real estate investments in case of residents of foreign states that do not have links with Estonia explaining the purchase of real property or if these transactions are not in conformity with the social or economical situation of the person;

8.4 A person originating from a risk country wishes to conduct transaction with cash via lawyers or other persons who provide legal services, and does not wish to provide data about the origin of the assets;

8.5 A person wishes with the help of a lawyer or in his/her name to conclude transactions with a legal person registered in a risk country or NGO that has no economic justification;

8.6 A person applies to a lawyer or other person providing legal services with a proposition which arouses a money laundering suspicion.

**9. Activity-based indicators to intermediaries of precious metals, precious stones, works of artistic value and other valuable goods and all other traders in case of transactions which exceed EUR 15,000 in cash:**

9.1 On the basis of appearance of a person it can be assumed that he or she originates from a risk country and the person tries not to submit his/her identification data;

9.2 A person originating from a risk country wants to settle in cash in an amount exceeding EUR 15,000;

9.2 Suspicion arouses that the person does not act on his/her own behalf and may represent a person related to a risk country;

9.3 The payment is made via a bank registered on a territory of a risk country;

9.4 A person wishes to pay in currency used in a risk country;

9.5 A person originating from a risk country makes a payment in cash that remains marginally below the obligation limit of establishing of a person (EUR 15,000) or tries to pay in several parts in order to avoid obligation of establishing of a person;

9.6 A person originating from a risk country wishes to sell to a trader precious metals or precious stones in value above EUR 15,000.

#### **10. Activity-based indicators to providers of services of limited partnerships and incorporated entities:**

10.1 A person originating from a risk country wishes to use services for foundation of an incorporated entity or other legal person with a view to maintain one's anonymity and to hide (illegal) origin of the funds<sup>4</sup>;

10.2 A person does not wish to disclose the actual beneficiaries to a provider of services by founding of a company, but there is basis to assume that these may be related to a risk country;

10.3 A person does not wish to disclose the origin of the start-up capital or capital to be used for business activities to a provider of services by founding of a company, but there is basis to presume that it may originate from a risk country;

10.4 Suspicion of being a fictitious person exists in relation to a person who wishes to use the services for founding or managing of a incorporated entity or other legal person (for example, social appearance or background do not respond to character of the service being ordered or does not know the facts about the company, etc.) and there is basis to presume that there are persons originating from a risk country behind the fictitious person;

10.5 A person related to a risk country wishes to conduct via service providers of limited partnerships and incorporated entities transactions that have no economic reason or which are otherwise unusual or suspicious<sup>5</sup>.

---

<sup>4</sup> A very sophisticated structure of (international) owners of the company, etc. may refer to this.

<sup>5</sup> For example, transactions of unusually big sums, transactions by explanations „consultation service“, international payments related to alleged loan transactions (for example, „repayment of loan“). Also payments that are related to offshore or tax-free territories or areas/countries where pursuant to assessment of FATF, measures against restriction of money laundering are not applied sufficiently or

10.6 A person related to a risk country refuses to give explanations in relation to transactions, persons or assets participating in transactions to service providers or the given explanations and documents are not credible.

10.7 A resident of a foreign country who has no connections with Estonia or who is originating from a risk country is applying for services of limited partnerships or incorporated entities;

10.8 A person related to a risk country wishes to carry out transactions via service providers of limited partnerships or incorporated entities in big amounts (over EUR 15,000) of cash and does not wish to submit data in relation to origin of assets;

10.9 A person applies to service providers of limited partnerships or incorporated entities with a proposal that arouses suspicion of terrorist financing.

*Note: Notification shall be sent to the Financial Investigation Unit also in case it is not entered to customer relations with the person.*

#### **11. Activity-based indicators for non-profit associations and foundations in the sense of the Non-profit Associations Act:**

*MTFLA applies to non-profit associations and foundations in the sense of Non-profit Associations Act, if they are paid in cash the sum over EUR 15,000 or equivalent sum in other currency, irrespective of fact, whether the payment is effected in one part or as several mutually related payments.*

11.1 It has not been possible to identify the person who has donated money, but there is basis to presume that he or she is related to a risk country;

11.2 There is suspicion in relation to a person having made a donation of being a fictitious person and there is basis to presume that the fictitious person is representing a person originating from a risk country;

11.3 The sum of donation is not in accordance with income, financial status or social background of the person who made the donation;

11.4 The volume of the donation exceeds the declared profit of the operator or it is not in accordance with the donor's known results of economic activities;

11.5 A donation is made by a newly founded company, the management or owners of which originate from a risk country;

---

where there are factually stricter than customary requirements to personal, business and banking secrets or where data regarding beneficial owners of companies are not collected / updated / issued.

11.6 A person who made a donation is setting unusual conditions for use of donated money (for example, a requirement to return money after a certain period has passed or to transfer donated money to a person / enterprise / organization of a risk country);

11.7 The amount of donation made by a person related to a risk country and meant for an organization of a risk country paid either in one part or by several mutually related payments remains marginally below the obligation limit of establishing of a person (EUR 15,000).

Financial Investigation Unit