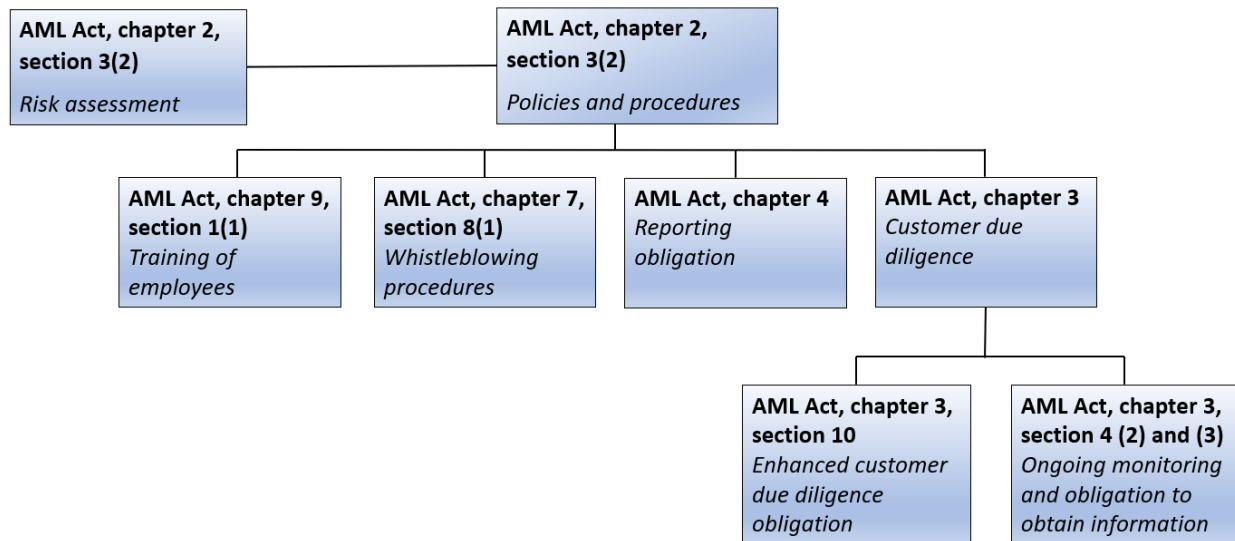


## Summary of findings on prevention of money laundering by companies granting consumer credit in Finland

The review of the prevention of money laundering and terrorist financing examined the degree to which the procedures and risk management methods of the new supervised entities corresponded with the requirements under the AML Act. Chart 1 lists the key regulation for the review.



**Chart 1.** Key regulation for the review

### 1 Review of money laundering and terrorist financing risks

Significant differences were detected across entities granting consumer credit in Finland in terms of the scale of their efforts to identify and manage the risks of money laundering and terrorist financing (ML/TF). Some of the entities were also found to have significant shortcomings in their AML/CFT risk assessments.

The following shortcomings were identified in the review:

- The up-to-date documentation of ML/TF risks was incomplete, and the effect of the risk factors had not been assessed.
  - There were shortcomings related to new and existing customers, countries and geographical areas as well as products, services, transactions, distribution channels and technologies that are new, in development or already existing.
- No designated person from senior management had been assigned the responsibility for money laundering and terrorist financing as a risk area.



- No long-term risk appetite statement had been prepared.

In order to manage risks appropriately, supervised entities must first identify the risk factors associated with their own activities. Therefore, the above shortcomings are considered significant.

## **2 Anti-money laundering and counter terrorist financing policies and procedures**

Entities granting consumer credit in Finland were found to have significant differences and different shortcomings in the policies and code of conduct established for the management of ML/TF risks. The most significant shortcomings were related to customer-specific risk rating, internal assignment of responsibilities for AML/CFT obligations, customer due diligence and enhanced due diligence.

The following significant shortcomings by some of the entities were identified in the review:

- Procedures for customer-specific risk rating were incomplete or altogether lacking.
- Division of responsibilities for the management of AML/CFT obligations was unclear. As a result, the procedures for compliance with the obligation to obtain information and report may also have been deficient.
- Information to be retained under chapter 3, section (3)(2)(8) of the AML Act on the entities' customers were partly incomplete.
- The entities had not identified circumstances, or had only identified a limited number of circumstances, in which enhanced customer due diligence must be applied. As a result, the procedures related to the enhanced customer due diligence obligation under the AML Act were deficient in some instances.

Since the abovementioned issues may, at worst, lead to ineffective ongoing monitoring and/or failures of the obligation to obtain information and to report, these shortcomings are considered significant.

Based on the review, the following relatively significant shortcomings were detected in a few cases:

- The measures to identify whether a customer, transaction or payment was linked to a high-risk country from an AML/CFT perspective were incomplete.
- The fulfilment of customer due diligence obligations on behalf of obliged entities resulted in an elevated need to clarify the division of responsibilities and processes from the perspective of customer due diligence.
- An elevated need was identified in certain entities to train the personnel in more detail in the area of AML/CFT in order for these entities to be able to comply with other obligations under the AML Act appropriately.

The entities can remediate the abovementioned shortcomings by clarifying their internal processes. However, the shortcomings create risks that may, if realised, give rise to an enhanced customer due diligence obligation under the AML Act and/or a failure of the obligation to obtain information and to report. Therefore, the shortcomings are considered relatively significant.

In some cases, the entities had shortcomings in their customer due diligence processes related to compliance with sanctions regulation and national freezing orders. However, FIN-FSA regulations and

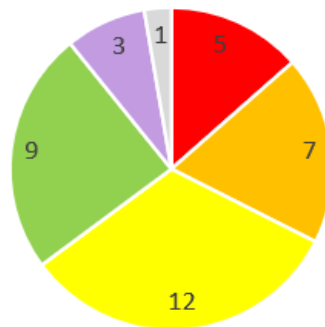
guidelines 4/2023 on customer due diligence related to sanctions regulation and national freezing orders have only been in force since 1 March 2024, and the supervisory measures completed during this review have mainly been taken before the entry into force of regulations and guidelines 4/2023. The entities have been informed of the abovementioned FIN-FSA regulations and guidelines.

### 3 Summary of the review of the prevention of money laundering and terrorist financing

In connection with requests for further clarification, the entities were informed of the shortcomings identified, instructed how and which aspects of their procedures should be developed further, and requested to submit the updated documents to the FIN-FSA. Following the abovementioned actions, the entities' ML/TF risk assessments and risk management procedures have improved.

Charts 2 and 3 present the initial and present situation of the AML reports. Chart 2 presents the situation in September 2023 according to the documents submitted by the new supervised entities.

#### Initial situation of AML reports in September 2023

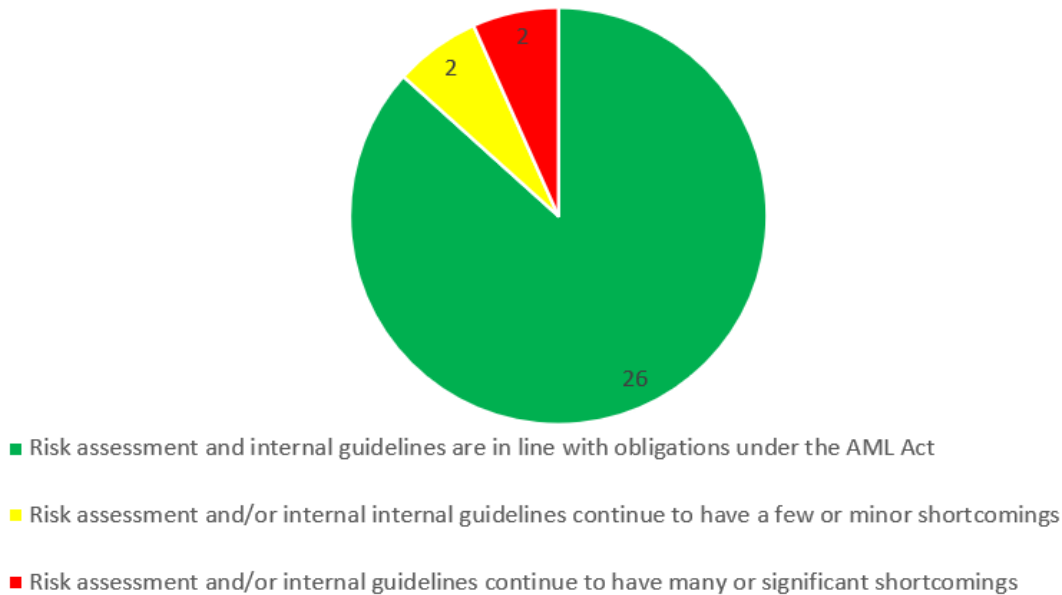


- Both the risk assessment and internal guidelines had many or significant shortcomings
- Either the risk assessment or either internal guidelines had many or significant shortcomings
- Risk assessment and/or internal guidelines had some relatively significant shortcomings
- Risk assessment and/or internal guidelines had a few or minor shortcomings
- Material was submitted late
- Material was not submitted

#### Chart 2. Initial situation of AML reports in September 2023

Chart 3 presents the situation based on updated documents submitted by the supervised entities as on 25 April 2024.

### Situation of AML reports on 25 April 2024



**Chart 3.** Situation of AML reports on 25 April 2024

In addition, four entities were requested to provide the FIN-FSA with updated material concerning the prevention of money laundering and terrorist financing. The entities that continue to have significant shortcomings have submitted their responses to the FIN-FSA's inquiries late and therefore the supervisory measures are still ongoing. The entities that still have minor shortcomings have informed of their intentions to shut down operations. By the end of year 2024, all registered entities in the sector are expected to fulfil their obligations under the AML Act based on the updated documents.

The purpose of the further inquiries, advice provided by the FIN-FSA and the requests to update documents was to help the entities to form a clear view of the ML/TF risks associated with their own activities and related management methods.

However, the risk assessment or written policies alone do not confirm whether the entity in practice complies with them or how well the actual practices correspond with the obligations under the AML Act.

#### 4 Subsequent measures by the FIN-FSA

The findings of the review will be used as the basis in targeting risk-based ongoing supervision. The entities responses to the data collection on AML/CFT risks, controls, and sanctions (RA, Risk Assessment survey) will be reviewed and analysed. The FIN-FSA will also assess risks of money laundering and terrorist financing associated with the sector.

The FIN-FSA may also conduct inspections and make on-site supervision visits at the entities. If shortcomings are identified, the FIN-FSA may impose administrative sanctions. The administrative sanctions



are a penalty payment, public warning and administrative fine. The FIN-FSA may also oblige an entity to fulfil its obligations under penalty of a conditional fine if the non-compliance is not minor.

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