

Translation from Finnish

Legally binding only in Finnish and Swedish

Ministry of the Interior, Finland

Government Decree on Customer Due Diligence Procedures and Risk Factors in Preventing Money Laundering and Terrorist Financing

(929/2021)

By decision of the Government, the following is enacted under chapter 3, section 8, subsection 2 and section 10, subsection 2 of the Act on Preventing Money Laundering and Terrorist Financing (444/2017):

Section 1

Further provisions on simplified customer due diligence procedure

When observing the simplified customer due diligence procedure referred to in chapter 3, section 8 of the Act on Preventing Money Laundering and Terrorist Financing (444/2017), hereinafter Money Laundering Act, an obliged entity may adjust any or all of the individual customer due diligence measures referred to in chapter 3, sections 2–4 and 6 in terms of timing or recurrence as well as volume and sources of customer due diligence data. In making this adjustment, account shall be taken of any regulations issued by the supervisory authorities pursuant to chapter 9, section 6 of the Money Laundering Act.

However, when adjusting the measures included in the simplified customer due diligence procedure referred to in chapter 3, section 8 of the Money Laundering Act, the obliged entity shall ensure that the customer due diligence measures are adequate relative to the risks associated with a service, new or existing product or transaction, distribution channel, technology, geographical area or customer relationship, and also sufficient to detect any exceptional or unusual transactions.

When observing the simplified procedure referred to in chapter 3, section 8 of the Money Laundering Act, an obliged entity may set a threshold in respect of some due diligence measures and carry out customer due diligence measures or monitor transactions when this threshold is exceeded. An obliged entity which sets a threshold shall ensure that the procedure employed by it

enables detection of the threshold being exceeded and that the threshold is set sufficiently low relative to risks.

An obliged entity may apply simplified procedure also in situations other than those referred to in this Decree when it assesses the risks to be low. Simplified customer due diligence procedure does not release an obliged entity from the obligation to carry out customer due diligence measures.

Section 2

Further provisions on the enhanced customer due diligence procedure

When observing the enhanced customer due diligence procedure referred to in chapter 3, section 10, subsection 1 of the Money Laundering Act, an obliged entity shall enhance some or all of the individual customer due diligence measures referred to in chapter 3, sections 2–4 and 6 in terms of timing or recurrence as well as volume and sources of customer due diligence data. In making this enhancement, account shall be taken of any regulations issued by the supervisory authorities pursuant to chapter 9, section 6 of the Money Laundering Act.

When observing the enhanced customer due diligence procedure referred to in chapter 3, section 10, subsection 1 of the Money Laundering Act, an obliged entity shall update the customer due diligence data more frequently than usual and, when necessary, obtain the consent of senior management for establishing or continuing a customer relationship and also put in place ongoing monitoring measures at more frequent intervals than ordinary in order to detect any changes in the customer relationship and unusual transactions as well as to manage the risks associated with the customer relationship.

When observing the enhanced customer due diligence procedure referred to in chapter 3, section 10, subsection 1 of the Money Laundering Act, an obliged entity shall verify the customer due diligence data supplied by the customer against one or more source which the obliged entity assesses to be reliable. When necessary in order to implement the due diligence procedure, the obliged entity shall obtain:

- 1) information on the source of funds;
- 2) information on the destination of the funds relating to a transaction;
- 3) information on the business carried out by the customer's beneficial owner;
- 4) any other necessary information.

Section 3

Regulation applied to customer due diligence measures related to transfers of funds

When observing the simplified customer due diligence procedure, obliged entities within the scope of Regulation (EU) 2015/847 of the European Parliament and of the Council on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 shall comply with the provisions laid down in the said Regulation regarding the performance of customer due diligence measures.

Section 4

Low-risk insurance products

Insurance products or services with which a low risk of money laundering or terrorist financing may be associated are:

- 1) life insurance policy and other voluntary insurance policy where the insurance premium is low, endowment policies and capital redemption policies excluded;
- 2) statutory non-life insurance;
- 3) statutory unemployment insurance that is a part of social security, and adult education benefit;
- 4) statutory earnings-related pension insurance, self-employed person's pension insurance and worker's compensation and occupational disease insurance, and other pension insurance policy arrangements;
- 5) pension, superannuation or similar schemes that provides retirement benefits to employees, where contributions are made by way of deduction from wages, and the scheme rules do not permit the assignment of a member's interest under the scheme;
- 6) other insurance policies and arrangements corresponding to the policies and arrangements referred to in paragraphs 1–5.

However, the simplified customer due diligence procedure may not be observed when the insurance policy has an early surrender option or it may be used as collateral on a loan.

Section 5

Low-risk financial products and services

Financial products and services with which a low risk of money laundering or terrorist financing may be associated are such leasing and hire purchase financing contracts used to finance tangible and intangible assets in which lawful or beneficial ownership of the underlying asset is retained by the provider of the financing for at least the duration of the contract and which fulfil the following requirements:

- 1) the maximum amount of the financing contract is EUR 15,000 and the contract is based on a written agreement between the provider of the financing and the customer; where the average annual amount of the leasing payment or hire purchase instalments paid by the customer to the provider of the financing does not exceed EUR 15,000, a maximum amount arrived at by multiplying the annual amount of leasing payments or hire purchase instalments with the duration of the contract may alternatively be used;
- 2) the payments based on the financing contract are made by using the customer's account with a credit institution within the scope of Directive (EU) 2015/849 of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC or with a credit institution located in a third country where requirements equivalent to the requirements under the said Directive have been laid down by law;
- 3) the relevant contract or the transactions associated with it are not anonymous, the customer relationship is capable of being monitored as provided in chapter 3, section 4, subsection 2 of the Money Laundering Act and the accomplishment of the obligation to pay particular attention laid down in subsection 3 of the same is not jeopardised;
- 4) the benefits based on the financing contract cannot be liquidated for the benefit of a third party.

In addition to the provisions laid down in subsection 1 above, financial products and services with which a low risk of money laundering or terrorist financing may be associated are:

- 1) financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes;
- 2) products where the risks of money laundering and terrorist financing are managed by other factors such as purse limits or transparency of ownership.

Section 6

Higher than ordinary risk factors associated with a product, service or delivery method

A higher than ordinary risk of money laundering or terrorist financing may be associated with a product, service or delivery method when it hampers customer identification and due diligence, identity verification or identification of beneficial owner.

Services, products and manners of delivery with which a higher than ordinary risk of money laundering and terrorist financing may be associated are:

- 1) private banking services;
- 2) products which may hamper identification of the customer or the beneficial owner;
- 3) products, services or manners of delivery managed non-face-to-face without electronic identification methods or associated trust services or other equivalent protective measures referred to in Regulation (EU) No 910/2014 of the European Parliament and of the Council on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC;
- 4) a product, service or manner of delivery associated with a payment received from an unknown or apparently unassociated third party;
- 5) new products, a new manner of delivery or products in which new or developing technologies are used;
- 6) other products, services and manners of delivery corresponding to those referred to in paragraphs 1–5.

In the situations referred to in subsection 1 above, the obliged entity shall assess the risks before introducing the product, service or manner of delivery and implement any measures necessary to manage the risks.

Section 7

Factors of low risk relating to customers

A low risk of money laundering or terrorist financing may be associated with a customer when:

- 1) the customer is a publicly traded company;

- 2) the customer is a public administration or enterprise;
- 3) the customer is resident or domiciled in a lower-risk geographical area referred to in section 10.

Section 8

Factors of higher than ordinary risk relating to customers

A higher than ordinary risk of money laundering or terrorist financing may be associated with a customer when:

- 1) a transaction is carried out in unusual circumstances;
- 2) the customer's place of residence or domicile is a country referred to in section 11;
- 3) a legal person or legal arrangements are used as personal asset-holding vehicles;
- 4) the company has nominee shareholders or its shares have been issued as bearer shares;
- 5) the products and transactions may hamper identification of the customer or the beneficial owner;
- 6) the business is cash-intensive;
- 7) the transaction is carried out by means of a considerable cash payment; or
- 8) the ownership structure of the company appears unusual or excessively complex given the nature of the company's business.

Section 9

Low-risk gambling services

A low risk of money laundering or terrorist financing may be associated with the money lotteries referred to in section 3, subsection 2, paragraph 1 of the Lotteries Act and the pools referred to in paragraph 3 of the same as well as the gambling referred to in section 1 of the Act of Åland on Lotteries (Statute Book of Åland 10/1966) in which money can be won in a draw or gambling in which players have the opportunity to receive a share of the winnings determined on the basis of a guess made about the events in or results of a sporting or other competition, including a horse race, or on the basis of a draw of numbers, symbols or other markings.

However, simplified customer due diligence procedure may not be observed in the case of gambling, the outcome of which is based on the result or event of a sports event, horse racing or other competition, or in the case of online gambling.

Section 10

Geographical factors of low risk

Risk factors relating to the geographical location of a customer, product or service with which a low risk of money laundering or terrorist financing may be associated are:

- 1) location in an EU Member State;
- 2) location in a third country having effective systems to combat money laundering and terrorist financing;
- 3) location in a third country identified by credible sources as having a low level of corruption or other criminal activity;
- 4) location in a third country which, on the basis of credible sources such as mutual evaluations, detailed assessment reports or published follow-up reports, has requirements to combat money laundering and terrorist financing consistent with the revised FATF Recommendations and effectively implements those requirements.

Section 11

Higher than ordinary geographical risk factors

Risk factors relating to the geographical location of a customer, product or service with which a higher than ordinary risk of money laundering or terrorist financing may be associated are:

- 1) location in a third country identified by credible sources, such as mutual evaluations, detailed assessment reports or published follow-up reports, as not having effective systems to combat money laundering and terrorist financing;
- 2) location in a third country identified by credible sources as having significant levels of corruption or other criminal activity;
- 3) location in a third country subject to sanctions, embargoes or similar measures imposed by the European Union or the United Nations; or

- 4) location in a third country that provides funding or support for terrorist activities, or that has designated terrorist organisations operating within it.

Section 12

Entry into force

This Decree enters into force on 1 January 2022.