

Government AML commission: virtual currency service providers need heightened attention

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The Government Anti-Money Laundering Commission has discussed in detail the issue of virtual currency service providers and the future of the Estonian Financial Intelligence Unit (FIU) as an independent agency subordinate to the Ministry of Finance.

Mr **Veiko Tali**, the secretary-general of the Ministry of Finance who serves as the deputy head of the commission, noted that the monitoring and regulation concerning the service providers of virtual currencies is in continuous need for heightened attention.



„We must observe the developments of new technologies and manage the respective money laundering risks. In 2019, many businesses showed an interest in acquiring a licence for virtual currency services and the number of issued licences was high. At the same time, the Estonian government’s means for scrutiny and intervention in this field were limited. This year, legislative changes have come into force that have tightened the issuing of activity licences. We are moving in the right direction,“ Mr Veiko Tali said.

In 2020, the Financial Intelligence Unit has withdrawn more than 1000 activity licences of virtual currency companies. At the same time, there are still about 400 companies active in Estonia that offer virtual currency services. The connection of many of these companies to Estonia is minimal and the clientele of some of the companies is from remote countries.

„This is why the commission plans to retain heightened attention to this topic next year. A number of important regulatory changes are planned for the services of virtual currencies in order to further regulate the field,“ Mr Veiko Tali added.

According to a survey conducted by the Financial Intelligence Unit this summer, the virtual currency service providers registered in Estonia have the most clients in the United States, followed by Venezuela, Russia, Vietnam, Indonesia, Brazil, India and Iran. According to the survey, the turnover of virtual currency service providers in the first half of 2019 was over 1.2 billion euros, more than doubling year-on-year.

The commission also discussed an overview of the transition of the Financial Intelligence Unit into an independent agency in the area of government of the Ministry of Finance from 1 January 2021. The planned budget of the FIU for 2021 without information technology expenditure is 3.1 million euros. This amounts to more than doubling the budget compared to this year. The FIU currently has 32 employees this is set to increase to 47. „The future goal of the Financial Intelligence Unit is to focus on developing the functions of strategic data and risk analysis,“ Mr Veiko Tali said.

The commission also discussed the current state of Estonia’s preparations for the 2021 assessment by Moneyval or the Council of Europe committee of experts on the evaluation of anti-money laundering measures. Next year, Moneyval will assess how Estonia applies laws and regulations in practice as well as what are the actual capacities of Estonian institutions in hindering money laundering.

In addition, the government commission received information on the topics connected to the implementing international sanctions and the preventing of the proliferation of weapons of mass destruction. From the Estonian

point of view, it is important to increase the uniform implementation of international sanctions within the European Union.

The commission members also received an overview of the activities of the Financial Supervision Authority, the Financial Intelligence Unit, the Police and Border Guard Board and the Prosecutor's Office within the last six months, related to the investigations of different money laundering cases, the Estonian internal risk assessment of the prevention of money laundering and terrorist financing and the developments in the European Union.

The activities of the governmental committee on money laundering and terrorism financing prevention include the shaping of the policy on money laundering and prevention of terrorism as well as coordinating the mapping of national risks and devising an action plan for their mitigation. The committee consists of top managers of ministries, the Tax and Customs Board, the Prosecutor's Office, police institutions, the Estonian central bank and the Financial Supervision Authority.