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The International Monetary Fund (IMF) today published a large-scale analysis that will contribute to the fight against money laundering in the Nordic and Baltic countries. The IMF considered that Estonia's efforts to tackle money-laundering are sufficient, and praised the exchange of information between the supervisory authorities in the region in their anti-money laundering work.

The IMF recommended that the Nordic and Baltic countries could combat money-laundering and terrorist financing (AML/CFT) better by collecting even more cross-border data and investing in advanced data analytic tools. The IMF also recommended that countries in the region should be prepared to take joint steps to strengthen financial supervision, if some bank in the region should prove to be an increased money-laundering risk in the future for example.

The IMF analysis is very comprehensive and took three years to compile, and the Nordic and Baltic countries asked the IMF for technical assistance to carry out this analysis. This was the first regional analysis on AML/CFT issues by the IMF. The countries that participated in the analysis were Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

The analysis by the IMF and the countries of the region focused on financial flows, supervision in the fight against money laundering and terrorist financing, and cross-border risks and financial stability. The aim of the joint work was to make the framework for tackling money laundering and terrorist financing even more effective throughout the region.

The IMF used various methods to understand the international money laundering risks better, applying machine learning technology at the country level and regional level, analysing how sensitive the AML/CFT supervisory tools are in responding to risks, and making recommendations for ways to make those tools more effective. It also looked at ways of quantifying the impact of money laundering shocks on financial stability. The analysis noted the clear direction that has been taken in the region in consistently strengthening the measures taken to stop money laundering and terrorist financing. Because the risks to financial credibility change all the time, it is important for activities to be coordinated in order to keep pace with those risks, and for innovative solutions to be identified. The analysis by the IMF recommended that international financial flows should be permanently monitored, information on macro trends should be exchanged at the regional level, and the countries from which money laundering risks to the Nordic and Baltic countries could emerge should be identified more precisely. It also recommended assessing how breaches in financial integrity affect financial stability, so that the financial system can be fortified against shocks caused by money laundering.

"We are grateful to the IMF for this large-scale regional technical assistance project during which the new analysis methods created by the IMF were tested. Estonian state institutions were given recommendations and ideas about how to analyse the financial flows through Estonia better and how to identify risky transactions while this analysis was still being written. I hope that the publication of

this analysis will also be helpful for the private sector and other countries, as they can learn the best practice from our region”, said **Governor of Eesti Pank Madis Müller**.

Member of the Management Board of Finantsinspeksioon Andre Nõmm said that “It is good to see that the analysis approves of the efforts made in Estonia, where high-risk flows of money have been reduced drastically in the financial sector over the years. The IMF’s project and the new methods it used are a good example of how we should measure money-laundering risk in payment flows and how we should cooperate on such issues”.

“Modern data analysis capacity and especially the use of artificial intelligence show clearly how we as a country can be increasingly precise at mapping the risks of financial crime so that we can minimise them. The report gives a clear signal to criminals that Estonia as a country and the region it is in are very good at what we do, and there is no point in testing out our systems because sooner or later any crime will be identified and punished”, said **head of the Financial Intelligence Unit Matis Mäeker**.

A virtual panel discussion was held where the IMF and representatives of the eight participating countries considered the analysis and resulting recommendations. Estonia was represented by Member of the Finantsinspeksioon Management Board Andre Nõmm.

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