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FREQUENTLY ASKED QUESTIONS (FAQ)

1. What sanctions have been applied to AS SEB Pank?

Finantsinspektsioon discovered shortcomings in the anti-money laundering work of AS SEB Pank in the course of its supervisory procedures. Finantsinspektsioon issued a precept to AS SEB Pank that required it to take measures to remediate these shortcomings. The discovery of these shortcomings also led Finantsinspektsioon to open a misdemeanour case and to fine AS SEB Pank million euros for its past failings.

2. Why did Finantsinspektsioon carry out both supervisory and misdemeanour proceedings at AS SEB Pank?

Finantsinspektsioon is an administrative body that carries out supervisory proceedings and the on-site inspection at AS SEB Pank is one part of these supervisory proceedings. If Finantsinspektsioon discovers breaches of the law during an on-site inspection, it is able to proceed in various ways. One option is to continue with supervisory proceedings and another is to start misdemeanour proceedings. It is also possible to continue those proceedings in parallel, and this was what was done with AS SEB Pank. Supervisory proceedings and misdemeanour proceedings are different in nature. When the supervisory proceedings ended, a precept was issued to the bank requiring it to eliminate the shortcomings that had been identified and take measures so that it would not be in breach of the law in future. The misdemeanour proceedings look and punish the bank for failings in the past, and this is what ended with the fine being issued.

3. In what ways did AS SEB Pank break the law?

The breaches by AS SEB Pank can in general terms be divided into four groups. The bank did not follow the requirements in the Money Laundering and Terrorist Financing Prevention Act where they concern

1. obtaining and preserving client customer due diligence data;
2. establishing the beneficial owner;
3. applying ongoing due diligence during business relationships;
4. compliance with notification requirements concerning suspicions of money laundering and terrorist financing.

4. What does it mean that AS SEB Pank did not follow the legal requirements to obtain and preserve client data?

AS SEB Pank did not have sufficient procedural rules about when and how much information should be collected on the purpose and intended nature of the business relationships, and so it did not collect sufficient information on some of its clients. For example, it had not identified for some clients what their area of activity, their payment practices, their experience of operating in that area of activity, or

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their key business partners were. There were also issues with the quality of the data collected. For example, the names of some clients or beneficial owners were written differently in different databases at the bank, and the personal identity codes, date of birth, or residency of the representatives or beneficial owners of some companies were missing. The shortcomings in the core data that had been collected meant that AS SEB Pank could not analyse its own client database sufficiently, and to access data comprehensively and immediately.

5. What does it mean that AS SEB Pank did not establish the beneficial owners?

AS SEB Pank used data submitted by clients in establishing some business relationships and did not verify the data even when the risk-based approach would have indicated it was necessary.

6. What does it mean that AS SEB Pank did not apply ongoing due diligence during business relationships?

It means that AS SEB Pank did not properly monitor the business relationships of its clients and did not have detailed principles for when and how much information should be collected on its own clients during their business relationships. Its ongoing monitoring solutions were also not effective enough.

7. What does it mean that AS SEB Pank did not comply with the legal notification requirements concerning suspicions of money laundering and terrorist financing?

It means that AS SEB Pank did not file timely the suspicious transaction reports to the Financial Intelligence Unit in good time, or the reports filed did not incorporate all necessary information.

8. How much money was laundered through AS SEB Pank?

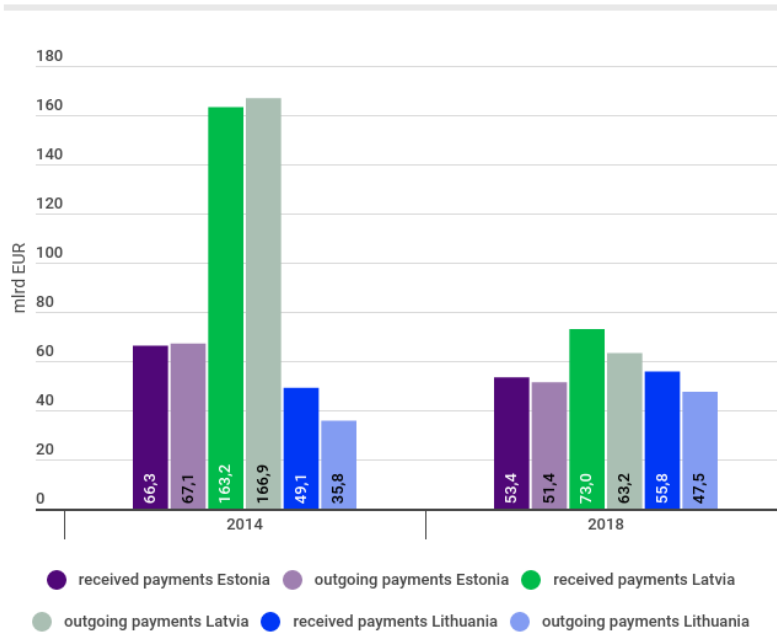
Finantsinspektsioon is a financial supervisor not a law enforcement authorities and it supervises whether the banks have appropriate control systems that allow them to know their own clients and identify suspicions of money laundering. Banks have to inform the Financial Intelligence Unit of transactions or activities that may be suspected of money laundering, and the Financial Intelligence Unit analyses this information and passes it on to the law enforcement authorities if it finds signs of money laundering.

9. Are the money-laundering risks larger in banking in Estonia than elsewhere?

Comparison with other countries would require a comprehensive database. As Finantsinspektsioon does not receive information on suspicious transactions or statistics on criminal activity, it is hard for it to identify money-laundering risks in those terms. The statistics to which Finantsinspektsioon does have access, indicates that the risk of money laundering in banking in Estonia has been reduced drastically since 2014 and is smaller than in the other Baltic states or the average for the European Union.

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Volumes of received and outgoing payments in Baltic countries



10. Can actions taken in the past be assessed using the rules that apply today?

Finantsinspektsioon identified the shortcomings described in the precept issued to AS SEB Pank during an on-site inspection that was carried out from 26 August to 27 September last year. However, the misdemeanours were committed by AS SEB Pank from 27 November 2017 to 27 September 2019. The law that Finantsinspektsioon followed in its supervisory and misdemeanour proceedings is in force today and was also in force in 2017.

11. How will the fine and the precept issued to AS SEB Pank affect the clients?

AS SEB Pank is a strong and stable bank with good liquidity indicators and return on assets, which will continue to serve its clients in Estonia as normal. Nothing will change for clients of the bank.