

Reform of the Anti-Money Laundering Legislation

D&I Alert
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» Corporate Advisory, Compliance & CSR

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The working group of the Finnish Ministry of Finance published its proposal of changes to the Finnish Anti-Money Laundering Legislation ("AML Legislation") on 12 November 2015. The reform is based on the Fourth Anti-Money Laundering Directive, which must be implemented by 26 June 2017. The working group aims to have the new legislation in force on 1 January 2017.

The AML Legislation applies mainly to the so called reporting parties such as credit institutions, investment firms, management companies and insurance companies. The reporting parties are exhaustively listed in the Act on Detecting and Preventing Money Laundering and Terrorist Financing.

> KEY CHANGES – WHAT DO YOU NEED TO KNOW

The proposed legislation sets a new obligation for all companies to submit information on the owners and beneficial owners to the central register kept by the Finnish Trade Register.

For reporting parties, there are several new aspects to consider. Reporting parties should ensure that their Know Your Customer procedures shall correspond to the new, risk-based approach set by the new legislation. Risk factors need to be considered in more detail than previously required.

Furthermore, reporting parties should take note of the new definition of *politically exposed individuals*, which shall cover domestic individuals and their family members and close associates as well.

The proposed changes also include a new sanctions regime, which may lead to considerable penalty payments to reporting parties in case of breaching the new legislation.

> WHAT DOES IT MEAN FOR YOU?

Beneficial owner: Holds more than 25 % of shares or voting rights in a company or is entitled to appoint or dismiss senior management

1. Know your beneficial owners

Under the new legislation, companies would need to know and identify their beneficial owners, i.e. any natural person who ultimately owns or controls the company or a customer of the legal entity subject to AML Legislation.

A central register of owners and beneficial owners of companies would be established under the Finnish Trade Register. Companies would have to submit the required ownership information to the register and keep it updated.

2. Consider the risks

Risk assessments to be prepared

A risk-based approach is emphasized in the new legislation. Reporting parties would be obliged to consider client-specific risk factors as well as risk factors and geographic risk factors relating to the product, service, payment transaction or method of delivery in question.

Furthermore, the Finnish government, supervisory authorities and reporting parties would have to prepare a *risk assessment* identifying specific risks regarding money laundering and terrorist financing within their respective fields of activity.

3. Who are politically exposed individuals?

The new legislation introduces a wider definition of politically exposed individuals, which currently applies to foreign individuals. Also *domestic* individuals would be included in the scope of the definition, as well as their family members and close associates.

4. Sanctions – how much can it cost?

A new sanctions regime would be established. The competent supervisory authorities would be entitled to impose administrative sanctions on reporting parties. The sanctions would include

1. administrative fixed penalty (EUR 5,000-100,000 for companies and EUR 500-10,000 for natural persons);
2. public caution; and
3. penalty payment for severe, continuous or systematic offences.

Risk of considerable penalties ahead

For financial and credit institutions the penalty payment would be maximum 10 % of the previous year's turnover, or EUR 5 million, whichever is higher. For other operators the penalty payment would be maximum two times as big as the profit gained by the offence or negligence, or EUR 1 million, whichever is higher.

For more information and guidance, please contact the head of our Corporate Advisory, Compliance & CSR practice group, [Raija-Leena Ojanen](#).

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