

Supervisor-specific risk assessment of the Regional State Administrative Agency for Southern Finland under the Money Laundering Act

Public summary

According to the Act on Preventing Money Laundering and Terrorist Financing (444/2017, Money Laundering Act), competent supervisory authorities have to prepare an assessment of the risks of money laundering and terrorist financing among the obliged entities supervised by them. A summary of the risk assessment is required to be published.

The Regional State Administrative Agency for Southern Finland revamped its supervisor-specific risk assessment at the end of 2022. The risk assessment was prepared for the first time in 2015, after which it has been updated regularly.

The revamped risk assessment of the Regional State Administrative Agency consists of a sector-specific risk assessment prepared separately for each sector.

Based on the prepared risk assessments, the Regional State Administrative Agency has assessed the overall risk level of the sectors it supervises as follows (scale 1–4)¹:

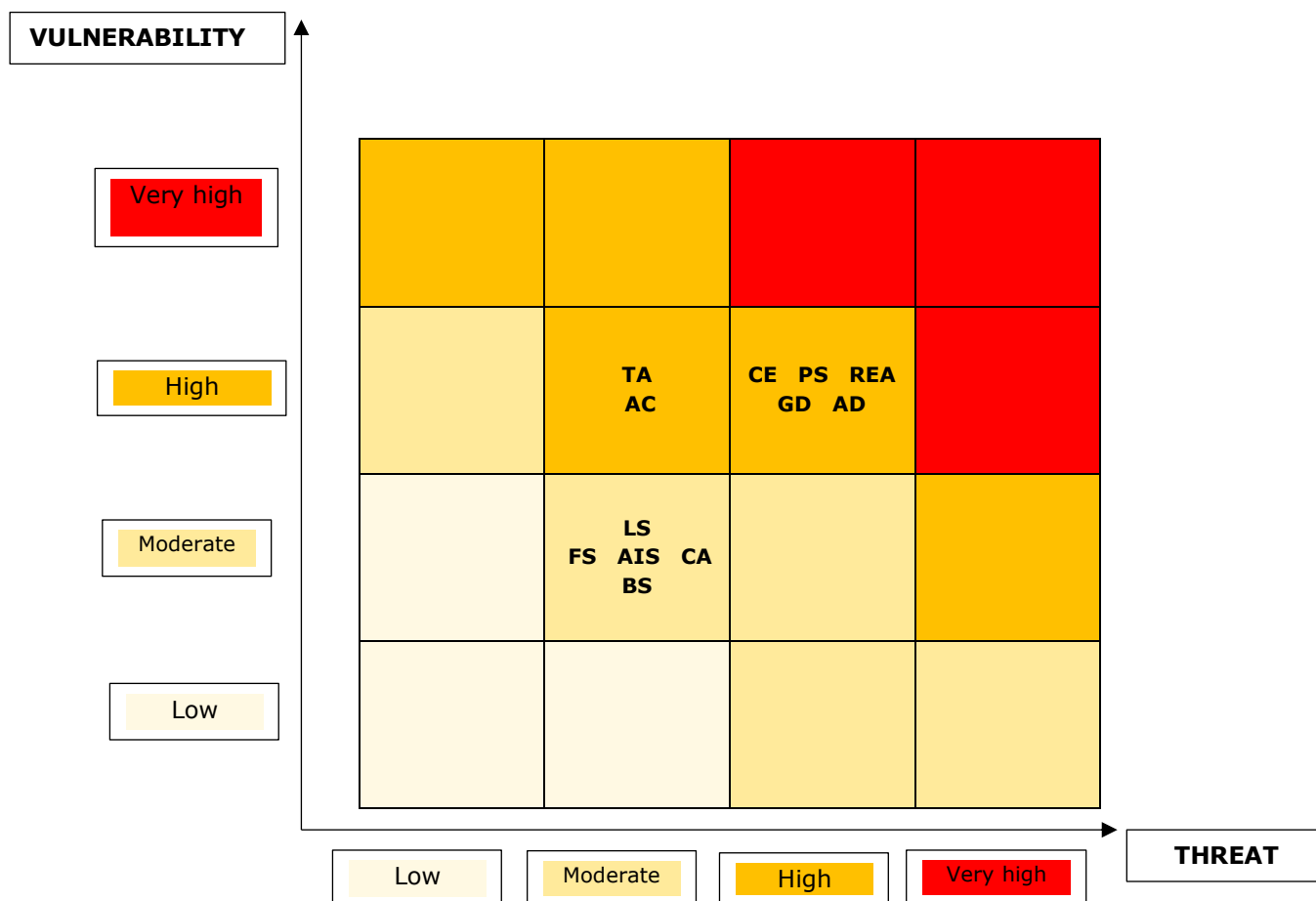
Sector	Risk level	Quantity
Goods dealers (GD)	3	50
Pawnshops (PS)	3	13
Art dealers (AD)	3	62
Real estate agencies (REA)	3	1629
Currency exchange (CE)	3	13
Accountants (AC)	3	2503
Financial services (FS)	2	60
Tax advisors (TA)	2	30
Legal services (LS)	2	164
Collection agencies (CA)	2	85
Business services (BS)	2	256
Ancillary investment services (AIS)	2	12

The sectors are organised in the above table from the most risk-prone to the least risk-prone. The assessment of the overall risk level has accounted for the threats and vulnerabilities identified in each sector and the factors that reduce risk.

¹ Scale read as follows: 1 = low risk, 2 = moderately significant risk, 3 = significant risk, 4 = very significant risk.

SUMMARY

Threats and vulnerabilities identified by sector are placed in the risk-level assessment matrix as follows:



One of the most significant risks in different sectors is the *lack of awareness of the obligations laid down in the Money Laundering Act* among obliged entities and their downright *indifference towards the obligations laid down in the Act*. The Regional State Administrative Agency has observed that only few reports of suspicious transactions are submitted and that the threshold for submitting a report is often high.

Although the *use of cash* has continued to decrease, cash remains a key tool for money laundering and terrorist financing due to its anonymity and poor traceability. Of the sectors supervised by the Regional State Administrative Agency, the use of cash is particularly prevalent in goods trade and currency exchange, which has had a significant impact on the assessment of the overall risk level of these sectors. In addition, *products that are easily liquidated*, such as gold and precious stones, make the goods trade an attractive avenue to criminals.

For many sectors assessed as high-risk, a common feature is the *randomness or one-off nature* of transactions, which makes customer due diligence more superficial than in long-term customer relationships. This emphasises the importance of being mindful of customer due diligence procedures.

SUMMARY

The accounting sector differs from other sectors that are assessed as high-risk. Accountants typically have long-term customer relationships. Due to the nature of their work, accountants are also very familiar with their customers' dealings. However, there are significant vulnerabilities in the sector, such as the level of awareness within the sector on the obligations laid down in the Money Laundering Act and the fields of business where accounting customers operate. Moreover, *authorities' resources are limited* compared to the size of the sector.

The number of obliged entities supervised by the Regional State Administrative Agency in relation to the available supervising resources is a significant vulnerability. Another significant vulnerability is *ambiguous and unclear legislation* concerning matters such as the scope of application of legislation and the lack of a definition for "customer". The scope of legislative application has especially been perceived as unclear in sectors where the scope of application is linked to the performance of an individual transaction.