

Reporting suspicious transactions

Guidelines to parties subject to
the reporting obligation

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CHECKLIST

A Suspicious Transaction Report (STR) are a valuable tool for alerting authorities to potentially suspicious activities. Filing an STR is not the same as making a criminal complaint!

- 1. Carry out a risk-based assessment as appropriate and relevant to your operations to help you identify and assess potential money laundering or terrorist financing activities.**
- 2. Identify your customer and verify their identity.**
- 3. Know your customers and their business and monitor their activities to recognise any suspicious business activities. This is known as Customer Due Diligence (CDD).**
- 4. Register as a user in the GoAML web application of the Financial Intelligence Unit of the National Bureau of Investigation, FIU-Finland (<https://ilmoitus.rahanpesu.fi>).**
- 5. Err on the side of caution: if you think that a business activity could be suspicious, do not hesitate to report it to FIU-Finland.**
- 6. Do not disclose to the subject of the report or anyone else that you are filing an STR.**
- 7. Store the records and documents that you have obtained for the purpose of filing the STR and keep them separate from your customer registers and other systems. Store these records for 5 years.**
- 8. Create guidance for your employees and train them to comply with the provisions of the Anti-Money Laundering Act.**
- 9. Monitor sanctions and frozen funds lists on a regular basis.**
- 10. As the business environment changes, you should reassess the risks related to your specific operations and regularly update your risk-based assessment.**

1. Suspicious Transaction Report

1.1. Suspicious transaction

Suspicious transaction refers to a transaction that differs from the customer's usual business operations or is atypical of the customer. The criteria for suspicious activities are based on knowledge accumulated through general experience in a given field. A business transaction may also be suspicious because the amount of the transaction differs from what is ordinary to a particular customer.

A person or entity who is subject to the reporting obligation (*obliged entity*) must be aware of their customers' operations to a degree that allows them to recognise any business activities that could be suspicious. The obliged entity has the duty to obtain information about their customer and their operations and to monitor the activities of the customer. For an obliged entity to be able to ensure that the customer's operations are in line with the obliged entity's understanding of the customer and their activities in the light of general knowledge and experience, the monitoring must be sufficient and relevant with regard to the nature and scope of the customer's operations, the regularity and duration of the customer relationship as well as risks for the obliged entity.

The obliged entity should pay attention to exceptional business transactions and, if necessary, establish the origin of the funds involved in the transaction. If the obliged entity identifies a suspicious transaction, they are dutybound to establish the reason for that transaction. If, following such investigations, the transaction still appears suspicious or no additional information can be obtained, an STR must be filed with FIU-Finland without delay. It is important that the STR is filed as soon as possible to prevent the funds or other assets subject to the report from being placed outside the reach of the authorities.

If a suspicious transaction is detected before it has been initiated or completed, the obliged entity must suspend the transaction for further inquiries or to altogether decline from participating in it. However, the obliged entity may complete the transaction if suspending or cancelling it is not possible or the suspension or cancellation would be likely to undermine investigations into the actual beneficiary of the transaction. Even if the obliged entity does decline from completing a transaction or establishing a customer relationship or the customer relationship is terminated due to suspicious circumstances, the obligation to file the STR remains. The STR must also be filed in the event that the suspicious nature of a transaction is only discovered after the fact.

"The customer pays for non-existent services."

"Significant sums of money are transferred to the bank account of a foreign company without a known reason."

"The customer's reluctance to provide additional information raised my suspicions."

1.2. What is a Suspicious Transaction Report – and what it isn't?

A Suspicious Transaction Report, STR, money laundering report. All these terms are used for the report that persons or entities who by law are obliged to report on any suspicious business activities to the Financial Intelligence Unit under the National Bureau of Investigation, or FIU-Finland.

The obliged entities should never hesitate to file an STR. It is only too common that money laundering goes undetected because the obliged entities do not think to report suspicious activities or think that they do not have sufficient evidence to do so. However, no proof is required, and it is not for the obliged entity to assess whether or not the activity constitutes a criminal offence. Establishing the origin of assets and the real nature of a business transaction fall under the remit of FIU-Finland.

An STR is not a criminal complaint. Rather it is a way of alerting the authorities of unusual activities that the obliged entity has observed while conducting their duties and that they think could merit further investigation. An STR may lead to criminal investigation and conviction but this is not always the case. In fact, it is quite common that a matter is closed after preliminary investigations, if it can be ascertained that nothing illegal is taking place.

To protect the reporting entity, the identity of the person filing an STR is confidential information and will not be disclosed to the subject of the report.

"The large sum of money transferred was not in line with the customer profile."

1.3. How do I file an STR?

A Suspicious Transaction Report (STR) is filed online through the GoAML application hosted by the Financial Intelligence Unit (FIU-Finland).

The link to the website is <https://ilmoitus.rahanpesu.fi/Home>

The application can be used by registered users only; only entities subject to the reporting obligation under the Anti-Money Laundering Act (obliged entities) may register as users. We recommend that, as a preparatory measure, all obliged entities register as users of the application in advance regardless of whether there is currently any reason to use the application.

Private individuals cannot file report via the application, and instead they may contact FIU-Finland by e-mail at [rahanpesuilmoitukset\(at\)poliisi.fi](mailto:rahanpesuilmoitukset(at)poliisi.fi).

1.4. What should I report?

Listed below are some of the most typical transactions and situations that should be reported to FIU-Finland.

What should I report?

- A business transaction differs from the normal business activities of a company.
- The business transaction is unusual in terms of its monetary value or nature.
- The business transaction is uncommon in the sector of industry.
- The identifying documents and other information provided by the customer are incomplete, unacceptable or forged.
- The legal person acting as the customer or the beneficial owners cannot be identified or reliably verified.
- The customer or business transaction is linked to a government of a country whose anti-money laundering and anti-terrorist-financing measures do not comply with international regulations.
- The transaction is not completed, the customer relationship is not established, or it is terminated because of the suspect nature of the transaction or customer relationship.

The above list is not exhaustive. For example, if the customer is a politically exposed person (PEP), it may be necessary to adopt a lower than usual threshold of suspicion when deciding to take a closer look at the customer's business transactions.

In these guidelines, we discuss some of the sector-specific characteristics related to customer relationships and transactions that could indicate money laundering or terrorist financing. These guidelines provide lists of suspicious sector-specific activities to which obliged entities should pay particular attention. The lists of indicators provided in these guidelines are for example only and they are not exhaustive. Moreover, activities that meet the description of activities listed in these guidelines do not necessarily constitute illegal conduct and may have a perfectly reasonable explanation.

The sector-specific chapters introduce a number of case examples where filing an STR is necessary.

2. Real estate and letting agencies

See it, investigate it and report it!

- The customer, their family member or business partner is a personally exposed person.
- The due diligence documents and other information provided by the customer are incomplete. The customer attempts to use false or forged identity documents (identity theft).
- There is a discrepancy between the information provided by the customer and other customer data, customer profile (investor buyer, owner-occupant buyer etc.) or behaviour. There is a discrepancy between the value of the transaction and the financial standing of the customer.
- The customer's offer is significantly higher than the market price of a property or the customer is willing to accept an offer significantly lower than the market price.
- The customer makes an offer without viewing the property or attempts to close the transaction rapidly without an apparent reason.
- The customer completes several property transactions within a short period of time.
- The customer makes financially unprofitable or otherwise irrational business decisions. For example, the customer is willing to quickly sell a property they have only recently purchased, even at a loss.
- The customer uses a representative or a proxy for property and letting contracts.
- The customer's representative changes but no documents authorising such change are presented.
- The customer makes unsolicited payments to a client account only to request that the funds be returned. The customer wants their funds returned to an account that is different to the one from which the funds were originally made into the agent's client account.
- Unusual payment arrangements. A person unrelated to the customer relationship pays the purchase price either partly or fully on behalf of the customer or the payment is made from an account held by a person other than the customer.
- The customer wishes to pay the deposit or the entire purchase price in cash.
- A first-time buyer purchases a property of significant value and does not need a mortgage or loan to pay for it.

Cases

Ellie Estate is marketing a luxury property in the city centre of Helsinki. Ellie receives an e-mail from a first-time buyer who is keen to close a deal on the property without viewing it first. This is not unheard of Helsinki property market, but Ellie is surprised because first-time buyers usually do not buy properties without viewing them first. When closing the deal, it transpires that the buyer is a cash buyer, and that part of the sum would be paid from their uncle's bank account. Ellie requests for further information about the origin of the funds, but because no plausible explanation is forthcoming, Ellie decides to file an STR with FIU-Finland.

Gary Garden, an estate agent in Easter Finland, is marketing a piece of land. The property soon caught the attention of a foreign buyer, who was represented by their Finnish-based friend. An agreement was reached, and the estate agent, the buyer's representative and the seller headed to the bank to sign the papers. At the bank, the representative opened a bag and took out the agreed sum in cash, EUR 45,000. The buyer's representative said the buyer preferred to pay in cash because a bank transfer would be slow and difficult because of the banking system in the buyer's home country. Gary Garden had heard of a similar problem before, and knew this to be true, but still decided to file an STR; purchasing properties using a representative and paying the full sum in cash were matters that called for reporting. Gary also assumed that the bank would file a similar report but knew that this did not relieve him from his own reporting obligation.

3. Accountants

See it, investigate it and report it!

- The customer's bookkeeping shows plenty of cash flow although such payments were not typical of that particular industry.
- The customer's cashflow is exceptionally modest and the accountant suspects that the customer is selling goods and services under the counter.
- The customer frequently changes their accountant or auditor.
- The customer makes financially unprofitable business decisions.
- The salaries paid by the company are too low to cover normal cost of living.
- The company grants or takes out suspicious loans from lenders close to the company.
- The transactions made by the customer are not in line with the customer profile in terms of value or reason.
- The business appears to have no financial motivation.
- According to the inventory, the stocks show significant decrease despite modest sales.
- A business transaction is atypical in value or for the type of business.
- Receipts appear to be fabricated.
- The ownership structure of the company is opaque or the structure cannot be easily verified, which raises doubts about the true identity of the actual beneficial owners.
- The company has no employees, which is unusual for a company in that line of business.
- The company has exceptionally complicated loan arrangements.
- The sales figures of a recently established company are exceptionally high.
- The company makes consultancy payments to offshore companies or accounts.
- The company accounts show transactions that are atypical in terms of their reason, volume or value, such as consultancy payments or contractual penalties.
- The company makes an exceptional amount of cash withdrawals or deposits for the type of business.
- The business operations and transactions involve persons who are suspected of criminal offences or their partners.
- A customer relationship is not established or it is terminated because of the suspect nature of the customer relationship.

Cases

Aaron Accountant had long had a suspicion that the accounts of his café-owner customer were not in order. He thought it strange that, since the café had changed ownership, the cash sales had dramatically dropped close to zero. According to the owner, they accepted cash payments, but customers simply preferred paying by card these days. Aaron was not sure what to do. The café-owner's explanation sounded plausible, but he still had a hunch that some cash payments never made it to the till or the books. Comparing the amount of cash payments to those of his other café-owner customer, Aaron noticed that the difference between the two was quite significant percentage-wise, although the actual sums were small. He decided to play it safe. Aaron filed an STR on suspected grey economy activities. However, Aaron decided to continue his customer relationship with the café-owner but would keep a close eye on the accounts.

Aaron decided to examine the accounts of his customers with particular care. When comparing the inventory of one of his customers to their previous year's inventory, he noticed that the stocks had decreased significantly within a year. A quick calculation revealed that the reduction of the stocks should have generated sales hitting at least six figures, but according to the bookkeeping, the total sales were only EUR 15,000. Aaron asked the customer about the reduced stock compared to the poor sales but did not receive a satisfactory answer. Aaron filed an STR on the company.

Encouraged by his findings, Aaron decided to compare the inventories of all his customers to their previous year's inventories to make sure that the sales figures tallied with the stocks. Aaron did discover another major discrepancy. In the second case, however, the reduction in the stocks without corresponding sales had a reasonable explanation. The product had not sold well and having expired had had to be destroyed. There was no reason to file an STR, because the customer could provide a reason for the discrepancy.

After a long week, Aaron decided to get dinner from a take-away which also happened to be his customer. To his disappointment, the business was closed. Three months later, Aaron received the bookkeeping materials from the company. The take-away had had no sales for three months, but payments ranging between 500 and 1500 euros had been made almost on a weekly basis throughout this period. He asked the customer for a clarification. According to the business owner, the payments were made by a friend who had borrowed money from the business. He also told Aaron that he had had to show the IOU to bank in connection of one of these deposits before the bank had allowed the repayments to continue. Aaron asked to see the IOU. Even after the business owner's explanation, Aaron thought the regular payments were highly suspicious, so he decided to file an STR. The fact that the bank may have had already investigated the origin of the funds and filed an STR was irrelevant.

4. Legal services

See it, investigate it and report it!

- A customer establishes several companies within a short period of time for no obvious tax, legal or financial reason.
- The identification information provided by the customer are incomplete or the customer is not authorised to represent the company for which they are conducting business.
- The customer attempts unnecessarily to speed up financial transactions, requests that a transaction be split into parts or is prepared to pay excessive commissions for the completion of a transaction.
- The identity of the real beneficial owners is concealed through complicated company structures or by taking measures to prevent the disclosure of the real beneficial owners' identity.
- The customer shows unusually keen interest in the due diligence and anti-money laundering processes of the legal service provider.
- The customer seems to lack essential business skills, which could indicate that the customer is acting as a front and does not genuinely run the business.
- The customer has several bank accounts for no obvious financial reason.
- The customer requests for an inexpedient business transaction that appears to bring no financial or business advantage to the customer or be linked to a fictitious contract.
- The amount of a business transaction differs from the customer's normal operations or is otherwise atypical or unnecessarily complicated considering the customer profile.
- The customer refuses to or is unable to give sufficient explanation or background for a business transaction or the documentation related to the transaction is insufficient.
- The payment for a services rendered is made by a third party or through complicated financial arrangements.
- A property is purchased or sold significantly under or over the market price or the customer makes property investments in a country where the customer appears to have no personal ties.

Cases

Sean Solicitor is assisting his customer in organising a company acquisition. The parties to the contract have agreed that the more detailed negotiations are initiated as soon as the buyer, Fred Foxy, has paid a 50,000 euro deposit into Sean's client account as a proof of the buyer's solvency. Foxy pays the deposit, but to Sean's surprise, the parties no longer seem interested in finalising the details of the contract. Sean finds the entire contract suspicious and tries to reach Foxy by phone, but without success. A week later, Foxy informs Sean that the deal has been cancelled and asks Sean to return the funds to the bank account of Haley Horner. However, Sean has never heard of Haley Horner and has no knowledge of how she is connected to the matter. Sean blankly refuses to transfer the funds to a party not involved in the acquisition and files an STR.

In another instance, Sean is contacted by company Redford Resourceful LLC ("RR LLC"), who are in the process of launching business activities in Finland and for which purpose they are in urgent need of Sean's legal services. RR LLC's representative says that RR LLC wants to set up a company within a rapid time frame to import specialist coffees from Colombia. RR LLC is therefore looking to start a business in Finland and is asking Sean's firm to establish it on their behalf. RR LLC also needs nominal help in managing the company because the staff of RR LLC is not physically in Finland. In fact, they are asking Sean's firm to appoint a staff member with legal training to join the board of the company. RR LLC is happy to pay hefty compensation in advance for the set-up costs and board membership. The funding for the business would come from previous business arrangements, according to the RR LLC representative.

Since Sean's firm is not provided with the documents they have requested on the people in charge of the company nor its funding or operations and, overall, communications with the company are not as straightforward and prompt as Sean is used to, Sean decides to decline from collaborating with RR LLC. Sean's firm cannot establish an assignment simply based on e-mail correspondence in which the documents are promised to be forthcoming in the near future. Sean is considering filing an STR although he does not have any identifying documents or sufficient information about the nature of the business. However, Sean decided to file the STR, as he realises it is best to err on the side of caution: filing a report that leads to no action causes no harm whereas failing to report illegal operations does.

5. Company service providers

See it, investigate it and report it!

- A customer establishes a number of companies with no obvious business purpose.
- The customer requests the establishment of companies without any intention of carrying out any actual business or a clear purpose.
- The customer seems to lack essential business skills, which could indicate that the customer is acting as a front and does not genuinely run the business.
- The reason for using a postal address service remains unclear.
- The identification information provided by the customer are incomplete.
- The payment for a services rendered is made by a third party or through complicated financial arrangements.
- The identity of the real beneficial owners is concealed through complicated company structures or by taking measures to prevent the disclosure of the real beneficial owners' identity.

Cases

Aaron Accountant has a new customer, a small-business entrepreneur who offers speaker and consultancy services. The customer asked that the address of Aaron's accountancy firm be used as the company's official address. Aaron has not offered postal address services before and he was wondering to himself whether the customer was trying to involve him in illegal business and whether the customer was really a consultant in the first place. However, the customer explained that the company did not have a physical office and for the purposes of professional credibility and keeping his home and working life separate, he did not want to use his home address. This is why he suggested that the accountant's address should be for business correspondence. Aaron found the explanation plausible and agreed. He did not file an STR and, in fact, began to offer postal address services to his other customers as well.

Elliot Entrepreneur provided company services governed by the Anti-Money Laundering Act. Occasionally he would receive customers who wanted Elliot's firm to establish a company on their behalf. He had had several such customers but none of them had appeared suspicious in any way. One day, however, Elliot was contacted by a person who was keen to meet with Elliot as soon as possible and agree on establishing a company on their behalf. Elliot suggested they meet at his office, and reluctantly the customer agreed, although he complained about his already busy schedule. During the meeting, Elliot found out that the customer wanted him to set up a number of companies but was unable to explain in any detail what business all these companies were supposed to engage in and why

there was a need to set up so many companies at once. The customer also mentioned that they did not want their name to be mentioned in connection with these companies. Elliot found the entire scenario highly suspicious and decided to turn down the proposal, because there clearly was no rational reason for establishing the businesses. Elliot also filed an STR.

Soon after, he was approached with a similar proposal. A lady, dressed in a smart suit, asked Elliot to set up a company for importing and marketing "technical components for medical instruments". Elliot provided the service although he realised during the meetings with the customer that the CEO of the new company knew very little about the equipment to be imported and there appeared to be no proper business plan. The lady also lacked qualifications and experience in the industry. Elliot was left with a feeling that something was not quite right, and after a few weeks after establishing the company he filed an STR, informing FIU-Finland that the lady he had conducted business with might be acting as a front.

6. Pawnbrokers

See it, investigate it and report it!

- The identifying documents and other information provided by the customer are incomplete or the customer attempts to present forged documents.
- The customer seems to be acting as a front, and the legal person, actual beneficiary or person on behalf of whom the customer is acting cannot be verified or reliably identified.
- The items or assets pledged are unusual in value considering the customer profile.
- The origin of the item or assets pledged is unclear or suspicious.
- The ownership or title deeds are incomplete or insufficient. For example, there is a suspicious transfer of the property title to the person offering shares of stock in a housing corporation as security.
- The customer wishes to pledge several pieces of the same and/or brand new items, such as electronics or gold jewellery.
- The customer pledges items in a rapid succession within a short period of time or the customer repeatedly pledges and redeems the same item or asset.
- The customer asks the loan to be paid into an account or to a company located in a tax haven or high-risk country or into an account held by a person or entity other than the customer.
- The customer requests that an exceptionally large loan be paid in cash.
- The customer wishes to pay off some or all of the loan in cash although the loan was originally paid out into the customer's bank account.
- The purpose of the loan appears to be dubious or suspicious.
- The customer accepts an undervaluation of a security and eventually fails to redeem it.
- The customer purchases in an auction unredeemed pledges that can easily be converted into cash and that are atypical in value considering the customer profile.
- The customer wishes to pay the full price or a substantial portion of the price of an item or asset in cash or from an account held in a credit institution based outside Finland.
- The customer redeems a pledge or purchases it in an auction with funds whose origin is unclear or suspicious.
- The customer pledges items or assets and asks to be paid in cash which, considered as a whole, constitutes a substantial amount.
- The customer attempts to speed up transactions without any plausible cause.
- The customer is using unusually large amounts of cash.
- The customer aims to set up complicated business arrangements.
- The customer's representative changes without documents authorising such change being presented.
- The customer's contact details, or the company's management team frequently change.

Cases

The first customer of the day at a pawnbroker's wanted to repay a loan and gives payment details that seem peculiar and, based on the BIC code, it looks like the payment is to be made into a foreign bank account. While the payee was the customer themselves, the situation as a whole appeared suspicious. The pawnbroker employee decided to look more closely into the case. The customer says they had lived abroad for much of their life because of work and still spent most of their time outside Finland. To back up the explanation, the customer presented a statement that proved that the foreign bank account was held under the customer's name and that it was their personal account. The pawnbroker employee was still not convinced because their records showed that the customer's funds had previously been paid into a Finnish bank account. The employee also checked the EU and the FATF (Financial Action Task Force) lists of high-risk countries. The country where the customer's bank account was held was not on either list but the transaction as such differed from what was typical of the customer in question. The employee decided to file an STR.

On the same day, a customer turned up at the office to pay back a loan they had taken out only a week earlier. When the customer said they would be paying in cash, the employee's suspicions were raised. The customer's records showed that the loan had been paid into the customer's bank account and that they had never previously paid off their loans this quickly. Moreover, this was the first time the customer wanted to pay off a loan at once and in cash. The employee decided to ask for more information. The customer was reluctant to give any more details of their situation and said that they had won some money in the lottery. The employee found this difficult to believe. The employee asked the customer to provide documents that would prove the origin of the funds. When such documents were not provided, the employee decided to file an STR.

7. Financial services, creditors and currency exchange companies

See it, investigate it and report it!

- The activities and the ownership structure of the customer company are opaque or the structure cannot be easily verified.
- The customer aims to set up complicated ownership and business arrangements.
- The customer makes financially unprofitable or otherwise irrational business decisions.
- The name or the contact details of the customer company frequently change.
- The funding that the customer seeks is inconsistent with their financial standing.
- The customer asks a loan to be paid into an account that has not been verified through strong identification.
- The customer uses several services, such as financing agreements, loan drawdowns and currency exchange, in rapid succession.
- The customer is difficult to reach or cannot be reached.
- The customer pays off a loan exceptionally fast soon after receiving it.
- The customer makes exceptionally large overpayments.
- Persons unrelated to the customer relationship pay back the financing received by the customer.
- The customer has a relatively high customer-specific cash flow; in other words, the customer pays off and again takes out a loan several times in succession.
- The customer exchanges smaller sums in succession with the obvious aim of keeping the value of each transaction below the notification threshold.
- The proof of the origin of the funds provided by the customer is not credible.
- The customer exchanges funds into several different currencies.
- The customer repeatedly exchanges currency without using a bank account.
- The customer exchanges currency through several currency exchange agencies within a short period of time.
- Currency exchange is performed by couriers with the actual customer remaining unidentifiable.
- The customer refers to their busy schedule and requests that their transaction is fast tracked without any obvious reason.
- The customer appears suspicious and their conduct seems inconsistent.

Cases

Claire Client has agreed with a consumer credit firm Fairish Fund on a loan of several thousand euros. Claire Client has applied for loans and paid off her loans more or less according to schedule before, except for a couple of late payments. With her most recent loan, Fairish Fund and Claire have agreed on a two-year payment plan based on a reasonable monthly instalment. A few weeks after taking out the loan, Claire decides to pay it off in full. Fairish Fund asks for additional information as Claire's conduct differs from her previous behaviour profile. Claire says she had decided not to buy the car she had intended to and wanted to return the loan she had taken for that purpose. However, when Claire Client initially applied for the loan, she had said she needed it for home improvement. When Fairish Fund requested more details, Claire's gave yet another explanation, this time saying that she had won a fairly substantial sum of money in the lottery. Fairish Fund was not satisfied with the explanation and decided to file an STR.

Charlie Changer, who manages a currency exchange, is about to close shop for the day, when a customer who seems to be in a hurry steps in. The customer wants to change 2500 euros into several different currencies. Charlie does not have a sufficient amount of one of the currencies available, so the customer decides to purchase another currency instead. Charlie is a bit puzzled by this and asks why the customer wants to do that. The customer gives an evasive and vague answer, and Charlie's suspicions are raised. As Charlie is completing the required paperwork, the customer pressures him to hurry up as he needs to be somewhere else. Charlie asks the customer for details of the origin of the funds, but the explanation that the customer gives is not satisfactory, and they have no documents to prove it. Charlie feels that the case is suspicious on too many levels and declines from completing the transaction. As the customer leaves his shop, Charlie immediately files an STR.

Financing service YX has received an invoice finance application from Splendid Grub LLC. Splendid Grub LLC offers catering services and runs a coffee shop. The invoice submitted to YX lacks payments reference numbers and the only reference is "for other services rendered". YX asks to see the contract on which the invoice is based, but Splendid Grub LLC says that the invoice is based on a verbal agreement. Splendid Grub LLC sends YX other documents related to the invoice that seem consistent with the invoice and offer background information on the contract. However, YX decides to check the company's basic information and asks for company details from the owner. Splendid Grub LLC refuses to send these documents and communicates that they no longer wish to proceed with the invoice finance service. YX asks for further information but Splendid Grub LLC's response is unsatisfactory. YX decides to file an STR on the terminated assignment.

8. Collection agencies

See it, investigate it and report it!

- The customer has several auxiliary business names or subsidiaries.
- The customer has not provided the Business Information System (YTJ) with any names of the persons in charge of the company or of its owners.
- Confirming the identity of the customer proves challenging because of, for example, insufficient documentation.
- The customer refuses to submit identifying documents to the extent required by the collection agency.
- The addresses given by the customer are inaccurate.
- The bank asks for additional details about the debtor.
- The customer pays in cash by mail.
- The customer makes larger than usual payments.
- The amounts of the customer's loans as well as their rapid repayment considering the customer's earnings raise suspicions.
- The customer's banking details frequently change.
- A loan is paid off by a person other than the debtor or repayments come from different sources.
- A loan is paid off from a source located in a different country from where the customer operates.
- The debtor makes a substantial overpayment.
- The customer makes an overpayment without quoting a reference.
- The payment reference does not correspond to the product identifier or other reference details.
- The reason for payment is suspicious, in other words, the itemisation is inconsistent with the customer's sector of industry.
- The principal to be collected is exceptionally large.
- The amount of principal to be collected differs from the principal capital declared by the customer. For example, the customer initially gives 10,000 euros as the amount to be collected, but the amount of the receivable sent to the collection agency is 50,000 euros.
- The receivables of a specific creditor are subject to claims more often than usual.
- There are inconsistencies in the creditor's activities.
- An execution debtor pays off a larger than usual instalment or repays the loan in full.

Cases

A customer of a collection agency Cursory Collection Ltd had sent an invoice to a private consumer. Two weeks later, the debtor paid off a ten-fold sum quoting the same reference details. Cursory Collection Ltd sent the debtor a notice of an overpayment, in which the debtor was asked to provide account details for returning the overpaid funds. Twice Cursory Collection Ltd was provided with a bank account number that belonged to the daughter of the debtor. Following the third overpayment notice, the spouse of the debtor's daughter called Cursory Collection Ltd and explained that the debtor suffered from dementia and that their daughter had a power of attorney to manage the debtor's finances. The daughter's spouse called Cursory Collection Ltd again and asked them to allocate a portion of the payment on an open invoice of the creditor.

Cursory Collection Ltd completed none of the requested actions or payments because these would always require an authorisation from the debtor. Next, the daughter of the debtor called Cursory Collection Ltd to tell them that the debtor was ready to make the necessary authorisation. During the phone call, it transpired that the debtor was not able to give such an authorisation and that the daughter needed to stand next to them and to dictate what to say. The population register held no information of any authorisation or power of attorney given by the debtor.

After the phone call, Cursory Collection Ltd received payment details by post, according to which the recipient of any returned overpayments was again the debtor's daughter. Cursory Collection Ltd returned the funds to the bank's clearing account, so that the bank could return the funds to the account from which the overpayment had originally been made. Subsequently Cursory Collection Ltd filed an STR.

Collection firm Pennybear had a new customer Leroy's Leek specialising in online retail. Soon enough, Pennybear's customer services were overwhelmed by complaints made by debtors, according to which the orders had never been delivered but had been invoiced. When Leroy's Leek was not able to give sufficient explanation to the situation, Pennybear began to suspect that the customer was committing an online fraud. Pennybear terminated the customer relationship and filed an STR.

Although the collection of the invoices had been discontinued, steady payments kept arriving for invoices already sent. Owing to a suspected criminal offence, Pennybear did not forward these payments to Leroy's Leek and instead withheld them on the client account.

9. Art and goods trade

See it, investigate it and report it!

- The customer attempts to avoid verifying their identity by dividing the payments related to a business transaction into several transactions to avoid reaching the EUR 10,000 threshold value for notification obligation.
- The artworks and objects purchased by the customer or offered to a dealer by the customer are unusually valuable considering the customer profile.
- The customer offers a dealer artworks or objects whose provenance is unverified or suspicious.
- The customer purchases an artwork or object without seeing it, aims to expedite the deal without any reasonable cause or is willing to accept a sum that is substantially below or over the estimated market price.
- The customer completes numerous deals on artworks or objects within a short period of time.
- The customer sells recently purchased artworks or objects at a loss.
- The customer aims to set up complicated business arrangements.
- The customer wishes to pay the full price or a substantial portion of the price of a valuable object or item in cash or from an account held in a credit institution based outside Finland.
- The customer spends a substantial sum of cash on purchases despite having the option of having it charged to their account.
- The price is partially or fully paid by a person other than the customer or the price is paid from an account held by a person other than the customer without any reasonable explanation.
- Refunds from a returned art object or item or the proceeds of a resale are asked to be paid using a different than the original method of payment or to be paid to a third party.
- The customer is acting as a front.
- The legal person, actual beneficiary or person on behalf of whom the customer or their representative is acting cannot be verified or reliably identified.
- The customer's representative changes without documents authorising such change being presented.
- The customer's contact details or the company's management team frequently change.

Cases: goods trade

Tina Trader was about to close her shop for the day when, at the last minute, a customer rushed in. The customer asked Tina what type of items she was selling and how much the most expensive ones cost. Tina found the situation unusual but served the customer to the best of her ability. The customer was not interested in hearing too many details and decided to buy a highly valuable old clock without knowing about its background. Tina said the clock cost 6,000 euro, because it was in an exceptionally good condition. The customer delved into their pocket to pull out a wad of worn banknotes of relatively small denominations and started counting. "I wonder what's going on," Tina thought to herself. Usually her customers paid by debit card. However, Tina concluded that the value of the purchase remained well below the 10,000 euro threshold value under the Anti-Money Laundering Act.

The same customer soon returned to Tina's shop, this time first thing in the morning. The customer behaved in exactly the same manner as earlier, asking to see the most expensive items in great haste. This time, the customer went for an expensive piece of jewellery priced at 4,500 euros. Again, the customer presented a stack of well-used banknotes and started piling them on the counter. Hang on a minute! Tina quickly did her sums and realised that the sums paid by the customer two days earlier and now totalled 10,500 euros. These two purchases were clearly connected, so Tina acted as required by the Anti-Money Laundering Act and asked to verify the customer's identity.

The customer was clearly irritated and refused to cooperate. The only thing the customer was willing to disclose about the origin of the funds was that they had just sold their car and that the buyer had paid in cash. As a proof of identity, the customer showed Tina their national insurance card that had no photo. Tina's suspicions were raised, and she wondered whether the customer had deliberately made two separate purchases to avoid having to prove their identity. Tina was also unconvinced about the origin of the funds. Worn banknotes of small denominations was also a danger signal. Tina decided she could not complete the deal unless the customer was able to present a photo ID and give a reasonable explanation of the origin of the cash funds. The customer walked out without saying a word and Tina filed an STR based on the information she had been able to obtain from the customer.

Case: art trade

Pablo Painter is a renowned artist famous for his oil paintings both in Finland and abroad. He works at his own home studio. One day, Pablo was contacted by a cleaning company Rinse & Wipe Ltd. Whitney Whitewash, introducing himself as the representative of Rinse & Wipe Ltd, asked whether Pablo would be willing to take on a commission for a painting for the company's new premises. Whitewash told Pablo that there was very little time to complete the commission because the new premises would be opened in a couple of weeks' time.

Whitewash pointed out that the company was prepared to pay extra if Pablo was able to meet the tight deadline. Pablo was taken aback by the proposal. Of

all businesses, why would a cleaning company want to commission a work at such a short notice? Pablo was, of course, aware of his reputation and the value of his works, and he often received various inquiries, and yet something did not feel quite right. Pablo decided to meet with Whitewash of Rinse & Wipe Ltd to discuss the work, and to obtain more information about the potential customer. Whitewash said they were away for business at the moment, but they would send someone else.

Una Undercover, the other representative who arrived at the meeting told Pablo that Rinse & Wipe Ltd was willing to pay 10,000 euros for the painting as long as the work would be finished as soon as possible. Pablo was again a bit confused, as he had not said anything yet about pricing. What eventually raised the alarm was Una Undercover's suggestion that part of the sum could be paid in cash and the rest from Whitewash's personal bank account because that would be "easier". It soon transpired that Una Undercover knew virtually nothing of the actual day-to-day business of the cleaning company and even the ID presented by Undercover looked like it had been to a washing machine. The explanations that Undercover gave did not sound credible. Undercover insisted that the funds were from the business operations although they were unable to produce any evidence of this. Pablo felt that the whole proposal was highly suspect and asked both representatives to provide further information and documentation. Unsurprisingly, Pablo never heard another word from Rinse & Wipe Ltd again, and duly filed an STR.

10. Tax advisors

See it, investigate it and report it!

- The ownership structure of the company is opaque or the structure cannot be easily verified, which raises doubts about the true identity of the actual beneficial owners.
- The name or the contact details of the company frequently change.
- The company has no employees, which is unusual for a company in that line of business.
- The company has exceptionally complicated loan arrangements.
- The customer makes consultancy payments to offshore companies or accounts.
- The customer appears to be seeking advice regarding money laundering.
- The customer is particularly concerned about the reliability of the tax advisor and the confidentiality of the information they provide or the services they commission.
- The customer attempts to evade taxes or seek advice on transferring funds to offshore companies or accounts without attracting or raising suspicions.
- The customer is interested in methods of clearing their funds through the service provider's client account.
- The customer uses foreign bank accounts without a reasonable explanation.
- The business operations and transactions involve persons who are suspected of criminal offences or their partners.

Cases

Tim Taxrelief was looking forward to a busy week at work. He would have meetings back to back, the first of which was with his regular customer, Evasion & Curving Ltd, whom Tim enjoyed working with. There was nothing unusual or untoward about the company's ownership structure and, all in all, Tim had never had any concerns about the customer relationship. However, this time, the representative of Evasion & Curving Ltd asked for advice that was unusual. The company needed to quickly transfer a substantial amount of money to another company and asked Tim about the best way of transferring funds "without any fuss" to Off & Shore Ltd. Tim asked for further details, what the transaction was about and why the funds needed to be transferred now and why specifically to Off & Shore Ltd. Tim noticed that Off & Shore Ltd had the same ownership structure as Evasion & Curving Ltd, so there was no question who the real beneficial owners were. The customer explained openly and directly what Company B was all about. Regarding the transaction at hand, Evasion & Curving

Ltd said the transfer was part of “tax arrangements”. Tim responded that in the light of this information he was unable to provide advice. He filed an STR.

Aaron Accountant is an accountant who also offers tax consultancy to his customers. One of Aaron’s customers booked a meeting with Aaron to discuss expanding his business to industrial services. The idea was to import timber and other materials for the industry. Aaron was surprised because the plans were quite a departure from the customer’s original line of business: it was a small car body shop that employed one person, the owner himself. During the meeting, Aaron realised that the customer was only really interested in potential VAT refunds. It was obvious that the customer had not given a thought to the actual logistics of importing timber, and only wanted to hear about VAT refunds. Aaron suspected that there would never be any actual timber trade, and that the customer’s sole motivation was to wrongly claim VAT refunds. Aaron had no proof of the customer’s intentions, but he decided nonetheless to trust his instincts and filed an STR. Aaron did not terminate the customer relationship but decided to place the company under enhanced monitoring.



Regional State Administrative Agency for Southern Finland

