

# SUMMARY OF THE SANCTIONS RISK ASSESSMENT PURSUANT TO THE ANTI-MONEY LAUNDERING ACT

# SISÄLLYS

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# 1. GENERAL

The partial reform to the Act on Detecting and Preventing Money Laundering and Terrorist Financing (444/2017; hereinafter ‘the Anti-Money Laundering Act’) entered into force on 31 March 2023. The purpose of the partial reform was to make sanctions monitoring and monitoring compliance with freezing decisions more effective.

According to chapter 3, section 16, subsection 1, as part of the customer due diligence measures laid down in the chapter, obliged entities must have effective policies, procedures and internal controls to ensure that they comply with the obligations imposed on them by:

- (1) regulations adopted under Article 215 of the Treaty on the Functioning of the European Union and by government decrees issued under section 1 and section 2a, subsection 1 of the Act on the Enforcement of Certain Obligations of Finland as a Member of the United Nations and of the European Union (659/1967) (sanctions legislation); and
- (2) decisions to freeze funds made pursuant to section 2b of the act referred to in paragraph 1 and pursuant to the Act on the Freezing of Funds with a View to Combating Terrorism (325/2013) (freezing decisions).

According to the Government Proposal on the reform of the Anti-Money Laundering Act (HE 323/2022 vp), ‘effective policies, procedures and internal controls’ means such measures whose implementation allows the obliged entities to detect and prevent any activities contrary to sanctions legislation and freezing decisions. Such measures include customer due diligence and verification of identity, obtaining information on the customer and the continuous monitoring of the customer relationship, comparing customer information to up-to-date sanctions legislation and freezing decisions, and freezing assets according to the freezing decisions. When establishing the effective policies, procedures and internal controls, the obliged entities could scale them according to the scope of their operations, their geographical scope, and the nature and extent of the products and services they provide.

This appendix to the supervisor’s risk assessment supplements the supervisor-specific risk assessment summary required by the Anti-Money Laundering Act, which was originally published on 29 January 2021 and which was updated at the same time this appendix on sanctions was updated. This appendix to the risk assessment was created between January and February 2024, and the gambling supervisor experts of the National Police Board’s Gambling Administration contributed to the risk assessment work. This appendix to the risk assessment must be read in conjunction with the now updated general section of the supervisor-specific risk assessment, which was originally published in 2021.

This appendix discusses the most significant sanctions risks identified in the risk assessment carried out by the National Police Board’s Gambling Administration that relate to gambling in general and to the customer due diligence required by the Anti-Money Laundering Act. The assessment of the significance of risks and therefore the most significant risks discussed in this appendix are based on a risk analysis in which national and international sources of information on gambling and international sanctions were used for the suitable parts in addition to expert information. The purpose of summarising the most significant risks is to highlight the views of the authority supervising gambling services on the different risk situations that relate to the compliance with sanctions legislation and freezing decisions of gambling operators’ gambling services and their customer due diligence processes. However, this appendix does not take any stand on any control measures used currently in the gambling sec-

tor or the measures that have been taken or have not been taken in the gambling sector to prevent or uncover any misuse or crime.

The purpose is to present factors and situations that may involve the risk of the use and conversion of illicit funds through gambling. The purpose of the risk assessment is to protect gambling from any misuse and in part, to prevent the use of illicit funds in gambling. This risk assessment discusses gambling-associated risks from the perspectives of both money laundering and terrorist financing.

## 2. SANCTIONS

According to the National Police Board's view, the 'effective policies, procedures and internal controls' required by chapter 3, section 16 of the Anti-Money Laundering Act apply to all customers of obliged entities – in this case, gambling operators – which currently means all registered customers of Veikkaus and the customers of Casino Helsinki. In addition, the obliged entity must take sanctions legislation into account in its gambling service provision also when it concludes collaboration agreements on the provision of gambling services with non-Finnish operators.

Currently, obliged entities must take into account international sanctions imposed under Article 215 of the Treaty on the Functioning of the European Union and by government decrees issued under section 1 and section 2a, subsection 1 of the Act on the Enforcement of Certain Obligations of Finland as a Member of the United Nations and of the European Union (659/1967) (sanctions legislation). In addition to these sanctions, the risks identified in this appendix to the risk assessment are in practice comparable to the risks identified in relation to the freezing orders referred to in chapter 3, section 16 of the Anti-Money Laundering Act.

Sanctions administered by the Office of Foreign Assets Control (OFAC) are only binding for entities based or operating in the United States and not directly binding on non-US entities based or operating in Europe. Gambling operators operating in Finland may independently decide whether they comply with OFAC sanctions or not.

### 3. POSSIBLE SANCTIONS RISKS OF OBLIGED GAMBLING OPERATORS

Gambling operators considered obliged entities under the Anti-Money Laundering Act must consider all sanctions as laid down in chapter 3, section 16 of the same Act, even though for the part of individual customers of a gambling operator, the relevant sanctions may in practice always be different financial sanctions and not restrictions to diplomatic relationships, for example. Obligated entities must use up-to-date sanctions list in their sanctions monitoring, such as the European Commission's consolidated list of persons, groups and entities subject to EU financial sanctions.

Finland currently has a legal system of exclusive rights for gambling, which means that only Veikkaus Oy can legally provide gambling services in Finland. Only natural persons with a Finnish personal identity code and domicile in Finland may be gambling customers of Veikkaus Oy. This can be considered to lower the sanctions risk of gambling in Finland, which is why the sanctions risks of gambling are currently not considered to be very high. However, if a risk materialises, the consequences may be severe, as the materialisation of a risk would mean that both money laundering and terrorist financing may have occurred.

The most significant risks related to sanctions and freezing decisions identified in gambling activities relate to individuals, systems and customer relationships. The reforms on provisions of the Anti-Money Laundering Act related to sanctions legislation in customer due diligence are relatively new, which means that operative deficiencies in the competence of personnel and the systems required for compliance may exist. Persons supervising the activities must have sufficient qualifications to understand the basics of international sanctions, and they must have an understanding of what to do in case any true matches to sanctions lists are discovered. This and the legal requirement of having effective policies, procedures and internal controls require effective internal processes from the obliged entities. In addition to increasing the competence of personnel, it is important that obliged entities divide the responsibilities of sanctions monitoring internally. Sanctions monitoring may not be organised by having only one person responsible for it if the business operations of the obliged entity are significant in the volume of both customers and turnover.

Systems risks can be considered another significant risk group in the sanctions monitoring of gambling operators. Effective sanctions monitoring requires effective and current systems that can effectively and reliably process the sanctions list and customer system data of the obliged entities effectively and reliably. The systems should be developed and tested regularly to ensure that they can be relied on. The systems must enable effective sanctions monitoring when a new customer is registering to the obliged entity's system. Similarly, the monitoring must be organised in a manner that enables implementing continuous customer screening that allows detecting any registered customer included on a sanctions list as close to real time as possible. In the National Police Board's view, the customer sanctions monitoring of gambling operators is considered 'real time', if it is carried out at least once per day.

The ongoing legislative project aiming to make gambling activities subject to licence was not considered when this appendix to the supervisor's risk assessment was created.