

## **Criteria of low risk of money laundering and terrorist financing which allows the application of simplified customer due diligence measures**

Minister of Finance Regulation No 11 of 3 April 2008

The Regulation is established on the basis of Article 18 (5) of the Money Laundering and Terrorist Financing Prevention Act.

### **§ 1. Scope of application**

(1) This Regulation shall be applied to obligated persons within the meaning of Article 10 of the Money Laundering and Terrorist Financing Prevention Act.

(2) Obligated persons may refer to this Regulation in cases specified in Article 18 of the Money Laundering and Terrorist Financing Prevention Act.

(3) This Regulation shall not be applied if it appears from publicly available information that the risk of money laundering or terrorist financing related to a client or a transaction is not low.

### **§ 2. General requirements for the application of simplified customer due diligence measures**

(1) Obligated persons may apply simplified customer due diligence measures if they have established in writing the Rules of Procedure provided by Article 29 of the Money Laundering and Terrorist Financing Prevention Act, describing low risk transactions and establishing requirements and procedures adequate for carrying out such transactions.

(2) Obligated persons may consider such transactions to be low risk transactions which are not anonymous and where the obligated person is upon the suspicion of money laundering or terrorist financing able to apply immediately the customer due diligence measures specified in Article 13 (1) of the Money Laundering and Terrorist Financing Prevention Act.

### **§ 3. Criteria of low risk for person or customers**

Upon identification and verification of persons or customers specified in Article 18 (1) 1)—4) of the Money Laundering and Terrorist Financing Prevention Act, the following concurrent circumstances shall be considered as the criteria of low risk:

- 1) verification is possible on the basis of publicly available information;
- 2) ownership and control structure is transparent and certain;
- 3) activities and accounting practices are transparent;
- 4) the person or customer reports to and is controlled either by the authorities of executive power in Estonia or an EEA State, or other authorities performing public duties or by an EC institution.

### **§ 4. Criteria of low risk for transactions**

(1) Criteria of low risk for transactions may include the requirements that the benefits of the product or related transactions cannot be realized for the benefit of third parties, except in the case of death, disablement, reaching a predetermined advanced age, or similar events.

(2) In case of transactions with units of an investment fund, the criteria of low risk may include the following concurrent requirements:

- 1) customers may not exercise the benefits of transactions before the lapse of one year after the transaction was carried out;
- 2) units subject to transaction can not be used as a collateral for another transaction;
- 3) the transaction is not carried out as an accelerated payment;
- 4) the contract provides no surrender clause.

(3) Transactions related to units of a mandatory pension funds may be considered to be in conformity with low risk criteria.

(4) In case of bank accounts belonging to natural persons, the criteria of low risk may include the following concurrent requirements:

- 1) the pension or social benefit of the natural person who is the owner of the bank account is credited to the bank account by the legal person or authority identified by the account manager;
- 2) the account is debited only up to the total amount of funds specified in subparagraph 1.

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