

ESTONIA

● Limited enforcement

0.1% of global exports

Investigations and cases

In the period 2016-2019, Estonia opened one investigation, commenced one case and concluded one case with sanctions.

Estonia's prosecutors have launched investigations into **Danske Bank**,¹ **Swedbank's** Estonia branch² and **Tallinn Business Bank**³ in connection with serious money laundering allegations and alleged weak anti-money laundering systems.

Investigating Danske Bank Estonia

The Estonian branch of Danske Bank was allegedly at the centre of numerous money laundering schemes, many of which have allegedly fed the payment of bribery to foreign officials across the globe.⁴ It reportedly played a central role in the Magnitsky scandal⁵ and in both the Russian⁶ and the Azerbaijani Laundromats.⁷

More than five years after the initial allegations of wrongdoing, the Estonian branch of Danske Bank was shut down by Estonia's banking regulator *Finantsinspeksioon* in 2019.⁸ The regulator referred to "large-scale violations of the local rules".

In January 2020, Estonian prosecutors expanded their investigations into more than 10 cases, involving a reported €2 billion (US\$2.3 billion) in transactions.⁹ Danske Bank itself conducted an investigation into 15,000 of its customers and €200 billion (US\$222 billion) worth of transactions. After analysing the 6,200 customers with the most risk indicators, it found in 2018 that the vast majority were suspicious.¹⁰

The Danish regulator found in 2018 that "The majority of Danske Bank customers with relations to the Moldova case (the Russian Laundromat Case), which surfaced in the media in March 2017, became customers of the Estonian branch in the years 2011-2013".¹¹

In 2018, a board member of state-owned Estonian Railways was convicted and sentenced to a conditional sentence of 18 months and a fine of €117,000 (US\$134,000) for accepting a bribe from **E.R.S.**, the Estonian subsidiary of a joint venture co-owned at the time by Dutch terminal operator **Vopak**. He was also found responsible for brokering

¹ <https://www.reuters.com/article/us-danske-bank-moneylaundering/estonia-to-investigate-danske-bank-over-money-laundering-allegations-idUSKBN1KL176>

² <https://www.reuters.com/article/us-danske-bank-moneylaundering-swedbank/estonia-investigates-alleged-swedbank-link-to-money-laundering-scandal-idUSKCN1Q90RW>

³ <https://news.err.ee/952734/three-tallinn-bank-employees-arrested-for-possible-money-laundering>

⁴ <https://voices.transparency.org/why-danske-bank-estonia-appears-in-so-many-money-laundering-scandals-424047fe987c>

⁵ Around US\$230 million was allegedly diverted by Russian officials from taxes paid by Hermitage Capital Management. The scheme was uncovered by Sergey Magnitsky in 2008. According to a report by the Organised Crime and Corruption Reporting Project, evidence surfaced in 2013 that both Danske Bank and the Estonian branch of Swedbank had been used to launder part of those funds. Estonian authorities have recently relaunched investigations into the affair <https://www.forbes.com/sites/francescoppola/2018/09/29/danske-bank-estonia-the-magnitsky-connection/#7cb4278d37c5> ; <https://www.occrp.org/en/daily/9568-estonia-reopens-money-laundering-probe-linked-to-magnitsky-case>

⁶ <https://www.occrp.org/en/investigations/7698-report-russia-laundered-billions-via-danske-bank-estonia>

⁷ <https://www.occrp.org/en/azeribaijanilaundromat/denmarks-biggest-bank-hosted-azeribaijani-slush-fund> ; <https://www.occrp.org/en/azeribaijanilaundromat/denmarks-biggest-bank-hosted-azeribaijani-slush-fund>

⁸ <https://www.bbc.com/news/business-47292732>

⁹ <https://www.occrp.org/en/daily/11456-estonia-danske-bank-money-laundering-probe-expands>

¹⁰ <https://danskebank.com/news-and-insights/news-archive/press-releases/2018/pr19092018>

¹¹ <https://danskebank.com/-/media/danske-bank-com/pdf/investor-relations/fsa-statements/fsa-decision-re-danske-bank-3-may-2018.pdf?rev=47d2a3f36ea54a27a4a06315617e48e3&hash=6FF0797DF9CCBCD211BD1D0578406123>

a €72,000 (US\$82,000) bribe to a Russian Railways official. An E.R.S executive was given a conditional sentence of two years and a fine. Both deals aimed at benefitting the company's train routes.¹²

According to media reports, the former chairman of the state-owned company Latvian Railway, Ugis Magonis, was accused of receiving €500,000 (US\$571,000) to advance the interests of Estonian company **Skinest Rail**, owned by Oleg Ossinovski.¹³ Skinest won a contract to supply four diesel locomotives to the Latvian company. After exchanges about whether Latvian or Estonian courts should try Skinest and Ossinovski, proceedings were conducted in the Limbazi and Cesisi courts in Latvia.¹⁴

SIA Merks, the Latvian subsidiary of Estonian construction company **Merko Ehitus**, is under investigation by Latvia's Bureau for Preventing and Combatting Corruption (KNAB) concerning cartel and bribe allegations in multiple procurement proceedings.¹⁵

Recent developments

In March 2020, new legislation on money laundering entered into force as part of Estonia's efforts to transpose the 5th EU Anti-Money Laundering Directive. The new law increases protections for whistleblowers and widens the circle of obliged entities who must take into consideration stricter anti-money laundering prevention measures in their activities. It also allows for the creation of a database of bank accounts, which the Financial Intelligence Unit will be able to access. A list of politically exposed persons will be developed, for whom higher requirements will be applied for the

prevention of money laundering. The new law also creates stricter requirements for virtual currency service providers.¹⁶

Transparency of enforcement information

There are no centralised statistics on foreign bribery enforcement. This information is not included in the Ministry of Justice statistics published annually, which include data on the commencement of criminal proceedings.¹⁷ The Ministry of Justice publishes information on mutual legal assistance (MLA) requests received and sent,¹⁸ and most such requests are registered in the relevant domestic authority document register.¹⁹ Statistics on foreign requests for confiscation are published by the Prosecutor's Office in its annual reviews.²⁰

The Estonian Internal Security Service (KAPO) publishes annual reports, in which information on cases is provided, as well as general analysis of risks and anti-corruption efforts.²¹

All court decisions that have entered into force are published and available electronically, including Supreme Court decisions.²² Publication may only be partial if the decision contains sensitive personal data or if other issues exist, such as business secrecy or pending foreign criminal proceedings.

Beneficial ownership transparency

There is a centralised register for beneficial ownership information in Estonia, which is accessible to the public, but limited by a paywall. All companies must provide data to the authorities

¹² https://www.kapo.ee/sites/default/files/public/content_page/Annual%20Review%202018.pdf, p.38.

¹³ <https://eng.ism.lv/article/society/society/prosecution-charges-magonis-estonian-magnate-with-bribery.a191184/>; https://www.baltictimes.com/prosecution_seeks_four-year_sentences_for_former_ldz_ceo_magonis_and_estonian_businessman_ossinovski/

¹⁴ https://www.baltictimes.com/latvian_court_decides_to_hand_skinest_rail_bribery_case_to_court_in_estonia/; <https://bnn-news.com/prosecutor-requests-four-years-in-prison-for-ugis-magonis-and-oleg-ossinovski-212730>

¹⁵ <https://bnn-news.com/suspicious-over-cartel-agreement-knab-searches-construction-company-i-merks-i-204832>

¹⁶ <https://www.rahandusministeerium.ee/en/news/estonia-enhances-efficiency-fight-against-money-laundering>

¹⁷ <https://www.kriminaalpoliitika.ee/kuritegevuse-statistika/>

¹⁸ <https://www.just.ee/et>

¹⁹ <https://www.prokuratuur.ee/>

²⁰ <https://aastaraamat.prokuratuur.ee/sites/default/files/inline-files/Prokuratuuri%20tegevus%202019.aastal%20%28002%29.pdf>

²¹ <https://www.kapo.ee/en/content/annual-reviews.html>

²² <https://www.riigiteataja.ee/index.html> ; <https://www.riigikohus.ee/>

through the commercial register database.²³ A small fee is required per search.²⁴

Inadequacies in legal framework

As the OECD WGB noted in its Phase 3 Follow-Up Report on Estonia 2016, there are some inadequacies in the Estonian legal framework, pointing to the need to amend legislation to toll the statute of limitations following an MLA request and to expand the scope of and sanctions for false accounting offences.²⁵

Inadequacies in enforcement system

The low levels of enforcement in Estonia, noted by the OECD WGB in 2016, are incompatible with the risks and the level of economic activity in Estonia, especially as concerns the financial sector, which has been rocked by scandals. The lack of resources for the analysis of suspicious transactions reports was also an issue highlighted by the OECD WGB.²⁶

Recommendations

- Improve information collection and availability of information on foreign bribery enforcement
- Adopt legal provisions on the suspension of the statute of limitations when Estonia issues an MLA request, as recommended by the OECD WGB
- Ensure that false accounting offences cover all the activities described in the OECD Anti-Bribery Convention
- Increase resources available for anti-money laundering prevention and detection
- Increase awareness of cross-border corruption risks, especially concerning the financial and information technology sectors.

²³ <https://www.rik.ee/en/e-business-register>; <https://www.rik.ee/en/company-registration-portal/determining-beneficial-owners>

²⁴ <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/5amlid-patchy-progress/>

²⁵ <http://www.oecd.org/corruption/anti-bribery/Estonia-Phase-3-Written-Follow-up-Report-ENG.pdf>

²⁶ <http://www.oecd.org/corruption/anti-bribery/Estonia-Phase-3-Written-Follow-up-Report-ENG.pdf>