
11.8. Professionals: vulnerability of the sector of providers of other legal services

11.8.1. General description of the sector

Description of the sector

Table 107. Description of the sector of providers of other legal services

Market participants	Number of market participants as of 31.12.2019	Number of obliged entities	Existence of a professional association or umbrella organization
Providers of other legal services ¹	755	conditional	Estonian Bar Association Estonian Lawyers Union

In Estonia, the performing of legal services as a lawyer is not regulated or restricted unless the lawyer is a member of the Estonian Bar Association and acts under the professional title of attorney-at-law. In such a case, the Estonian Bar Association performs professional supervision over the attorneys. In addition to performing supervision, the Estonian Bar Association assists the members of the Bar Association (attorneys) in their professional activities and also stands for the transmission of the traditions of Estonian attorneys.

As attorneys do not have a monopoly on the providing of legal services in Estonia, other persons may also provide legal services (both in court and out of court). Thus, all persons may establish law firms, work in a law firm and provide legal services. Acting as an attorney-at-law presupposes membership in the Estonian Bar Association, at the same time other legal services providers do not have an obligation to belong to the Estonian Lawyers Union.

The Estonian Lawyers Union is a voluntary association of Estonian lawyers whose task is to protect the professional interests of its members and to maintain and promote the Republic of Estonia as a state governed by the rule of law. The Estonian Lawyers Union is a defender of the democratic rule of law and civil society and a promoter and enhancer of the legal profession. The main objectives of the Estonian Lawyers Union are to develop the legal profession, to influence legal policy decisions and to develop civil society, to improve access to legal aid and legal awareness, to develop the organization, and to increase the participation of its members in its activities. As of 15.12.2020, 558 lawyers belong to the membership of the Estonian Lawyers Union.

Legal service providers are required to be persons within the meaning of the MLTFPA in the cases provided for in the MLTFPA (see list below). In addition to the members of the Estonian Bar Association and the Estonian Lawyers Union, other advisers whose exact number is unknown also provide legal services in Estonia. In practice, it is very difficult to distinguish between other legal service providers because the state does not have a suitable control mechanism over this sector. As a result of the data and analysis provided to the state, it can be stated that there are about 1,500 service providers in this field, which means that 2/3 of them are not covered by an umbrella organization. The survey was conducted only on those market participants whose main activity is the CEA code 69102 in the commercial register, their activity in answering the questions was above average.

¹ Classification of economic activities code 69102 in REA (Register of commercial activities)

Table 108. Data from the survey conducted in the sector of providers of other legal services

Sector	Number of market participants	Sample scope	Sample size/ number of responses required	Number of sent invitations	Number of responses received	Response rate
Providers of other legal services	775	sample	257	655	167	65%

Legal framework

If the professional activities of an attorney are regulated by the Bar Association Act, the Rules of Procedure of the Bar Association, the Code of Ethics, and the instructions and procedures established by the Bar Association, then the activities of a member of the Estonian Lawyers Union is regulated by the Articles of Association and Code of Ethics of the Estonian Lawyers Union. The activities of other legal service providers that do not belong to any umbrella organization are not regulated.

The providing of legal services to the client is generally carried out on the basis of an agency agreement, which is regulated by the Law of Obligations Act. The same law also regulates liability for damage caused by giving an incorrect opinion of a legal adviser as an expert.

Compliance with money laundering and terrorist financing requirements for attorneys and other legal advisers is regulated by MLTFPA. MLTFPA related supervision over the members of the Bar Association is performed by the Bar Association, whereas MLTFPA related supervision over the activities of other legal service providers not included therein is performed by the Financial Intelligence Unit. The MLTFPA applies to the professional activities of a legal adviser when he or she acts in a financial or real estate transaction on behalf of and in the name of his or her client. Also, if he or she directs the planning or execution of a transaction that involves:

- 1) the purchase or sale of real estate, shares in a company or enterprise;
- 2) managing the client's money, securities, or other assets;
- 3) opening or managing payment, savings, or securities accounts;
- 4) obtaining the resources necessary for the establishment, operation, or management of the company;
- 5) the establishment, operation, or management of a trust, company, foundation, or other association of persons without the status of a legal person.

The law provides for the specifics on the application of due diligence measures and other requirements when a legal adviser assesses the client's legal situation, defends or represents the client in court, challenge or other such proceedings, including advising the client on initiating or avoiding proceedings, regardless of whether the information was obtained before the proceedings, during or after the proceedings. In addition, legal advisers must follow the International Sanctions Act, the guidelines of the FIU and the Ministry of Finance when complying with the requirements for the prevention of money laundering and terrorist financing.

11.8.2. Description of risk typologies

Legal services are usually needed in the following areas that have a risk of money laundering or terrorist financing:

- use of client accounts
- real estate transactions
- creation of limited partnerships and companies
- arranging business of a client
- establishment and management of charity organizations.

The result of the survey indicated that the representatives of law firms could not describe the practical or theoretical typologies of risks related to the prevention of money laundering and terrorist financing, nor could they identify the most common ones; however, the following theoretical risks were mentioned:

- transactions concealing the beneficial owners
- transfer of court judgment proceeds to third parties
- fictitious transactions
- large cash transactions
- transactions contrary to the law
- obtaining residence permits/visas for third-country nationals
- consultation is requested on how to deposit cash on account
- unusual/suspicious business
- uncertainty of financial sources
- establishment of a company in Estonia by persons authorized in Estonia with the help of a contact person
- concealing property
- real estate transactions.

Conclusion

The sector itself cannot describe the typologies of risks (either due to a lack of knowledge and understanding or a lack of typologies, making the level rather patchy). The survey suggests that legal service providers themselves see theoretical opportunities to use the sector for assisting in money laundering or terrorist financing, suggesting that legal service providers are aware of the potential risks and that this increases the likelihood that such cases will be identified in practice. However, knowledge of the sector's risk typologies and methods and trends is lower than, for example, for attorneys coordinated by the Bar Association, and additional knowledge and know-how needs to be shared through training or umbrella organizations.

11.8.3. Threats

11.8.3.1. Threats of money laundering

Threat related to financial transactions

The threat is the management of cash flow from an unknown background through a bank account of a law firm, in the course of which foreign persons try to:

- 1) mediate the payment of money through the account of a law firm without an obvious reason;
- 2) to pay an advance before an agreement of providing of legal services, which would allow requesting a refund of the advance.

The share of cash turnover in the legal advisers' sector is small, and there are likely no additional threats for the sector. However, legal professionals (including attorneys) may also be used in money laundering schemes. They are considered to be easily accessible, and the use of legal advisers allows an organized criminal organization to obtain "approval" for its activities. In this context, the level of threat of money laundering associated with lawyers (attorneys and other independent lawyers) is considered high. At the same time, in the Estonian context, this threat does exist, but in practice, it is still rare and has only a theoretical nature.

Conclusion

Table 109. The threat level of money laundering in the sector of other legal service providers

Sector	The threat level of money laundering at the sectoral level	
Providers of other legal services	1	low

In the Estonian context, the threat of money laundering in the sector of other legal service providers can be considered rather **low**.

11.8.3.2. Threats of terrorist financing

There are no specific findings on terrorist financing for other legal service providers. Terrorist financing threats mainly affect banks and financial services, and charities. The threats of terrorist financing probably exist, but the probability of their occurrence in Estonia is small. Therefore, the consequences for the realization of the threats have a rather insignificant effect. For this reason, the majority of legal service providers interviewed, answered that they do not carry out activities aimed at identifying terrorist financing threats when applying due diligence measures to their clients. However, in order to keep the threat low, measures should be applied. The threat of terrorist financing may be exacerbated by the inadequacy of information and the limited possibilities for collecting it (e.g., data on beneficial owners, identification, and control of high-threat customers). A theoretical threat can be seen in the possibility of using legal services to disguise the real beneficial owners of companies in order to carry out economic transactions aimed at terrorist financing, but this probability is low. Due to the nature of legal services, their use is inappropriate for transferring the value needed for terrorist financing.

Conclusion

Table 110. The threat level of terrorist financing in the sector of other legal service providers

Sector	The threat level of terrorist financing at the sectoral level	
Providers of other legal services	1.4	low

The threats of terrorist financing exist, but the probability of occurrence of providers of the legal services sector is **low**. Therefore, the consequences for the realization of the threats have a rather insignificant effect.

11.8.4. Vulnerabilities

11.8.4.1. Vulnerabilities of prevention of money laundering

11.8.4.1.1. Exposure to the threat

In practice, the share of cash in the work of legal service providers is small, and thus the exposure to the threats arising from cash transactions is low. Transactions of foreign clients and politically exposed persons (PEPs), their family members, or persons considered as close associates carry a greater threat. The collection of information on beneficial owners and PEPs is difficult due to the lack of or insufficient access to databases.

Conclusion

There is a threat of involvement of legal service providers in criminal schemes, but in the Estonian context, money laundering cases or schemes that may take place through other legal service providers are not common.

Theoretically, the following could be considered as a vulnerability:

- **Lack of sufficient knowledge and control possibilities of the obliged person**

The sector lacks sufficient capacity, awareness, and skills to implement money-laundering prevention measures. The survey conducted that the sector does not assess the threats as high, there is no excessive

contribution to raising the level of awareness and skills, although respondents indicated that money laundering-related training should be more practical and more frequent. Ignorance and incompetence may prevent the application of the necessary due diligence measures, the proper application of which could eliminate the threat of money laundering. In order to mitigate the threats, the sector needs to be further trained, supervised more effectively, and, where possible, helped to concentrate in umbrella organizations, which would help the sector to share knowledge and skills in the fight against money laundering and terrorist financing.

Conclusion

Lack of sufficient capacity, knowledge, and skills for legal service providers to deal with threats can lead to money laundering. Considering the lack of understanding (although the sector itself is not fully aware of this), this vulnerability is rather average.

- **Concealment of the PEP status of the beneficial owner and the person involved in the transaction**

It is difficult to identify the beneficial owners of foreign companies, and the accuracy of these data on the beneficial owners of Estonian companies in the commercial register is not guaranteed. There is no comprehensive public data and corresponding databases on the PEPs involved in the transaction. Identifying family members or close associates of PEPs is even more difficult. In order to check the data submitted by the client on PEP status (or lack thereof), free online sources, media publications (incl. googling), less often also PBGB (incl. FIU) website, self-created register and/or internal channels, and paid programs/sources/databases available on the Internet are used. Interviews with the client and questionnaires find greater use in determining the PEP status, the beneficial owner of the client, and the origin of the assets used in the transaction. However, the reliability of the data provided by the client may not be guaranteed. If other publicly available information on the beneficial owner and/or PEP status is missing or insufficient, the business relationship with the customer or transaction may not take place due to insufficient information (including the fact that the beneficial owner cannot be identified).

Conclusion

Inadequate control of data provided by the customer on beneficial owners and PEPs (including their family members or close associates), in particular for transactions involving more complex ownership structures, can be considered a threat that could lead to money laundering. Considering the lack of understanding due to insufficient control options, this threat is rather average.

- **Use of property of unclear or criminal origin**

Determining the origin of an asset is difficult. Input from the customer is mainly used to identify the origin, but the verification of the accuracy of this information is limited, if not impossible. The reliability of the data provided by the client may not be guaranteed so that the obliged person can adequately control the origin of the assets used in the transaction or, where applicable, the client's wealth.

Conclusion

The inadequacy of the customer's ability to verify the origin of the assets used in a transaction, in particular for transactions involving more complex ownership structures, can be considered a threat that could lead to money laundering. Considering the lack of control options, this threat is rather average.

11.8.4.1.2. Risk awareness

Most legal service providers follow the "know your staff" principle, i.e., they carry out background checks when recruiting their staff and monitor their activities during the employment relationship, as well as provide training for their staff. The results of a survey conducted within the framework of the NRA showed that the awareness of other legal service providers about the prevention of money laundering is higher than average due to their professional legal knowledge and in the case of legal service providers belonging to the Estonian Lawyers Union, also thanks to regular training organized by the Union. There are regulations in place at the level of law. Various guidance materials have also been developed by the Ministry of Finance and the FIU.

At the same time, the law firms that participated in the survey have considered it important that the level of knowledge and skills necessary for the effective prevention of money laundering and terrorist financing be further increased both among themselves and in society at large. It can also be noted that a large number of legal service providers do not have separate money laundering and terrorist financing prevention procedures and/or financial sanctioning principles in place, nor have they developed methodologies and/or guidelines for reporting suspected money laundering or terrorist financing or unusual transactions.

Conclusion

Thus, deficiencies can be found in terms of awareness and effective management of money laundering and terrorist financing threats, leading to an average level of vulnerability in management commitment and leadership in the sector.

11.8.4.1.3. Legal framework and control

Quality of the regulatory framework and supervision

The level of regulation in the legal services sector is generally sufficient, and there is no need for additional national regulation. The role of the supervisory body is performed by the FIU, which supervises compliance with the requirements of the MLTFPA. However, the control must take into account that a large part of the work of legal service providers involves participation and advising on procedures that are excluded from the money-laundering prevention regulation. The preliminary documents should always be available to those involved in the sector, as this will ensure that the relevant transactions can be carried out. Therefore, the money laundering prevention system in the company must be optimal. Public sector support in the form of reliable free databases would help small and medium-sized enterprises to implement due diligence measures more effectively. Due to the legislation and the professional knowledge of legal service providers, due diligence requirements are known, but in some cases (especially PEPs, high-risk clients, foreign PEPs and clients), due to the lack of information, the obliged persons cannot perform the due diligence measures at such an effective level as desired. According to the 2017-2019 NRA, there have been no supervision procedures over other legal service providers.

Conclusion

Despite the existence of deficiencies, the overall assessment of regulation and supervision is acceptable, and the vulnerability of this category in the sector can be considered as low.

The efficiency of compliance systems and transmission of notifications

Regarding the effectiveness of compliance control systems and reporting, the law firms surveyed have considered it important to continue increasing the level of knowledge and skills needed to effectively combat money laundering and terrorist financing, both among themselves and in society at large. It can also be noted that a large number of legal service providers do not have separate money laundering and terrorist financing prevention procedures and/or financial sanctioning principles in place, nor have they developed methodologies and/or guidelines for reporting suspected money laundering or terrorist financing or unusual transactions.

As a possible solution to the deficiencies discussed in the previous section, the Estonian Lawyers Union could develop guidance materials for its members (as well as for the wider use of the sector as a whole),

including guidelines on money laundering and/or terrorist financing suspicions, sector-specific general risk assessment and key principles of rules of procedure. Further training of its members, cooperation between obliged entities/persons, other competent authorities (umbrella organizations), and (national) supervisory authorities would also be beneficial. Most of the law firms that responded to the survey do not invest in risk management technologies, programs/software, or paid databases.

At the same time, the notification of suspicious transactions and clients to the FIU takes place via the questionnaire available on the website, and legal service providers have no complaints to its usability. At the same time, it should be noted that, given the size of the sector, the FIU still receives very few notifications, indicating low awareness of the sector. It is necessary to provide additional training and supervision for the entire sector. From a state perspective, it would be necessary to organize this field of activity and, to this end, consider introducing a market entry requirement in the form of an activity license.

Conclusion

Based on the above, it can be concluded that the vulnerability in the sector can be considered higher than average in terms of the effectiveness of compliance systems, while the vulnerability in terms of monitoring and reporting suspicious activity is rather low.

Quality of the customer control framework

General description of due diligence measures applied to clients:

- identification of the (right of representation of the) client or the person participating in the transaction (representative of the person) and verification of information on the basis of a reliable and independent source
- identification and verification of the beneficial owner, understanding of the ownership and control structure of the customer or person involved in the transaction
- understanding the business relationship, transaction, or operation, and its purpose and collecting additional information as necessary
- control of PEPs and collection of additional information on them if necessary
- business relationship monitoring
- where appropriate, the collection of information on the origin of the client's wealth

Based on the feedback, legal service providers face difficulties in enforcing control and due diligence measures for PEPs due to the lack of reliable information sources and databases. The information needed to identify and verify high-risk clients is not readily available because it is either inaccessible or difficult to find regarding other countries or is unreliable. It is difficult to identify the beneficial owners of foreign companies, and the accuracy of these data on the beneficial owners of Estonian companies in the commercial register is not guaranteed. There is no comprehensive public data and corresponding databases on the PEPs involved in the transaction. Identifying family members or close associates of PEPs is even more difficult. The main sources used are free sources available on the Internet, media publications (incl. googling), less frequently also the website of the PBGB (incl. FIU), a register and/or internal channels created by oneself, and paid software/sources/databases available on the Internet. Interviews with the client/questionnaires find greater use in determining the PEP status, the beneficial owner of the client, and the origin of the assets used in the transaction. However, the reliability of the data provided by the client may not be guaranteed. Insufficient information increases risks and thus also increases the vulnerability of the sector.

Conclusion

Vulnerability in the sector in terms of reliable identification mechanisms and the availability of information on beneficial owners can be considered average and even above average in terms of the effectiveness of due diligence measures applied to clients in higher-risk situations.

11.8.4.1.4. Sector-specific risk assessment with the quality of sector-specific controls

The following vulnerabilities have been identified in the analysis and assessment of sector-specific risks:

- access to information (PEPs, high-risk clients both domestically and transnationally)
- lack of effective mechanisms for identifying complex or unusual transactions
- unreliability of the information contained in the registers.

Difficulties in obtaining or verifying information affect the vulnerability of the sector, as there is a theoretical risk of involvement of legal service providers in criminal schemes. At the same time, in the Estonian context, money laundering cases or schemes that would have taken place through legal service providers are still a very rare phenomenon. Nevertheless, the state must direct training, supervision and, if possible, provide guidance materials in this sector and concentrate market participants in umbrella organizations, which should also produce the relevant topics and guidance materials themselves and mediate them by the competent authorities.

Conclusion

Thus, overall, the level of vulnerability to money laundering in the sector of providers of legal services can be considered low.

11.8.4.1.5. Quality of response to risks identified in previous evaluations

NRA 2015 results :

As regards, specifically, the activities of legal advisers, the following is stated. In complex ownership structures, it is difficult to identify the beneficial owner through the direct or indirect holding or control of shares, stocks, or voting rights, including in the form of bearer shares. In this case, there is also a problem in identifying the beneficial owner who otherwise controls the management of the legal entity. The biggest deficiencies mentioned by experts are the lack of verification of the data contained in the commercial register, which in turn means that the accuracy of the data contained in the commercial register is not guaranteed. The share of turnover and cash in the sector of other legal advisers is small, and there are likely no additional risks for the sector.

The risk mitigation proposals were as follows:

The Estonian Commercial Register also provides access to the European Commercial Register. It is possible to obtain information on the management structure of a potential client or person participating in the transaction from these commercial registers. The market participant can also make inquiries in the Central Register of Securities, where it is possible to obtain information on the beneficial owners of Estonian companies. Credit information provides information on the payment behavior of a client or a person participating in a transaction, international databases on PEPs, and subjects of international sanctions.

The results of the NRA 2015 showed that the level of vulnerability of the sector was low during the previous assessment period. It was suggested that the focus in this sector should be on maintaining the level achieved while continuing to provide regular training and support supervision activities and providing advice on the development of guidance materials. The control measures were rated high overall, which is also justified given the level of regulation, restrictions, and control mechanisms in the sector.

SRNA 2017/2019:

In the non-financial sector, the problem is to identify the actual beneficial owner of the customer. The analysis has shown that sometimes the concept of a beneficial owner is either not correctly understood or not properly controlled when entering into a business relationship. There are also deficiencies in the level of supervision, guidance, and reporting in most Member States. Risk awareness was assessed as low; also, the lack of submission of notifications was pointed out. Overall, the vulnerability to money laundering was assessed as high.

With regard to legal professionals, including lawyers, it was pointed out that criminals may wish to use the services of lawyers in the following areas: misuse of client accounts, purchase of real estate, creation

of trusts, and companies/management of trusts and companies, initiation of certain litigation. Legal advisers can be involved in money laundering schemes through the creation of "non-transparent structures," defined as business structures that hide the real beneficiaries of the companies participating in this structure. The creation of structures, often set up in different jurisdictions, including offshore centers, is complex and requires the services of legal professionals.

Proposals at EU Member State level :

- Member States should take due account of the risks associated with different services in their national risk assessments and identify appropriate mitigation measures.
- Member States should ensure that information on the beneficial owners and legal arrangements of legal persons is adequate, accurate, and up-to-date.
- The number of local inspections in the professional sector carrying out activities covered by the principle of legal privilege should be proportionate to the risks.
- Supervisors should develop a better understanding of the risks of money laundering and money laundering financing faced by a particular segment of the business.
- Regular cooperation between competent authorities and obliged entities/persons.
- Training of obliged persons/entities.
- Reporting obligation of competent authorities on money-laundering prevention and supervisory activities of obliged persons/entities under their area of responsibility.

Conclusion

The above suggestions and recommendations for improvement have been taken into account to some extent, but similar problems remain and still need to be addressed (compliance with control and due diligence measures remains a challenge for PEPs due to lack of reliable information sources and databases; the information needed to identify and verify high-risk clients is not readily available because it is either inaccessible, difficult to find in other countries or unreliable; it is difficult to identify the beneficial owners of foreign companies and the accuracy of the data on the beneficial owners of Estonian companies in the commercial register is not guaranteed, etc.).

11.8.4.1.6. Conclusion

On a scale of 1-5, according to the assessment module, the vulnerability level of the sector of other legal service providers from the aspect of money laundering is 2.45, i.e., **low**.

Table 111. Level of vulnerability to money laundering in the sector of other legal service providers

Sector	Level of money laundering vulnerability at the sectoral level	
Providers of other legal services	2.45	low

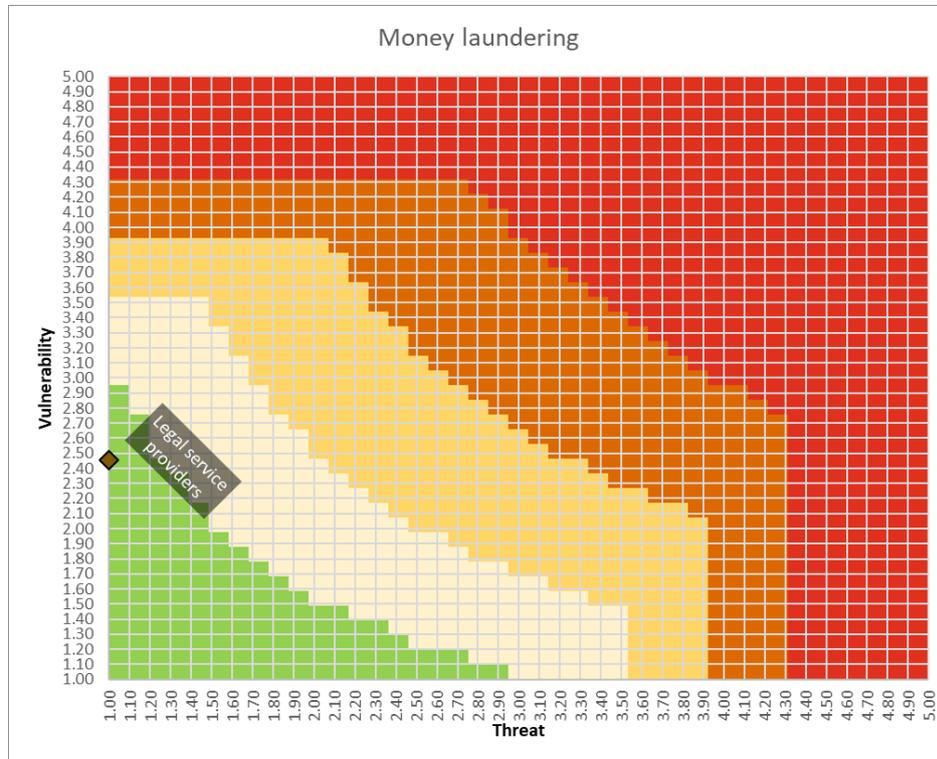
The strengths of the sector include the existence of an adequate legal framework and above-average awareness (regular training and keeping abreast of changes in the law). However, despite above-average awareness, the ability of other legal service providers to prevent money laundering and terrorist financing (including verification of client data) may be patchy due to the gaps in the level of understanding of the client/transaction/business relationship, which may slightly increase the level of vulnerability.

Difficulties in accessing adequate information on PEPs, beneficial owners, and high-risk clients can be considered a vulnerability. In the case of PEPs, there are no relevant databases, and it is particularly difficult to collect information from abroad (including verifying the origin of assets and the origin of customer wealth). However, these deficiencies need to be addressed at the national level.

Attention must be paid to improving supervision, i.e., it is necessary to carry out additional supervision in the sector and to share guidelines and instructions. In addition, there should be considered systems to distinguish obliged persons and legal service providers.

The current low level of vulnerability must be maintained. Reducing vulnerabilities will help legal service providers to create better opportunities, raise their awareness of new opportunities, and increase their skills to effectively combat money laundering and terrorist financing.

Figure 35. Heat map of the money laundering risk level in the sector of other legal service providers



Summary

The risk level of the sector in terms of money laundering is **low**, which means that the risk and its consequences must be accepted, and no specific measures are considered necessary. Simplified due diligence measures may be applied in the sector.

11.8.4.1.7. Risk management strategy

11.8.4.1.7.1. Risk mitigation measures at the national level

Based on the results of the risk assessment, the following suggestions are made to improve the situation at the national level:

- the timeliness and reliability of the information contained in the national registers
- database for the identification and verification of PEPs
- reliable and free databases for background checks
- clearer requirements and guidelines
- free availability of reliable data – this needs to be ensured for both Estonian and EU level background checks.

11.8.4.1.7.2. Risk mitigation measures at the level of obliged persons

Based on the results of the risk assessment, the following proposals are made to improve the situation at the level of obliged persons:

- The Estonian Lawyers Union could develop guidance materials for its members, which would include guidelines for conducting money laundering and/or terrorist financing suspicions, a general risk assessment specific to the sector, as well as the most important principles of the rules of procedure.
- Further training of its members, cooperation between obliged persons, other competent authorities (umbrella organizations), and (national) supervisory authorities will also be beneficial.

11.8.4.2. Vulnerabilities of terrorist financing prevention

11.8.4.2.1. Exposure to the threat

In the Estonian context, vulnerabilities in the prevention of terrorist financing by other legal service providers are not thoroughly addressed, there is no exposure in practice, and the probability of occurrence is extremely low (close to zero).

11.8.4.2.2. Risk awareness

Due to the sector's low assessment of terrorist financing vulnerabilities and the low probability of threats, a survey conducted in the sector shows that few respondents engage in different activities to identify terrorist financing risks when applying due diligence measures to their clients. It is expected that in practice, there are not so many transactions for which the possibility of terrorist financing would be called into question, which is why the response rate for terrorist financing is low. As a result, the number of legal service providers monitoring radical movements, hostile information campaigns, and foreign propaganda is also expected to be low.

11.8.4.2.3. Quality of terrorist financing detection and prevention of financing of proliferation of weapons of mass destruction

With regard to the detection of terrorist financing, nothing different has been pointed out in this section compared to what has been pointed out in relation to money laundering (clause 11.8.4.1.5.).

Quality of the regulatory framework and supervision

The level of regulation in the sector of other legal service providers is generally sufficient, and there is no need for additional national regulation. The role of the supervisory body is performed by the FIU, which supervises compliance with the requirements of the MLTFPA. However, the supervision must take into account that much of the work of legal service providers involves participating in and advising on procedures that are excluded under the regulation of the prevention of terrorist financing. Therefore, the system for preventing terrorist financing in a company must be optimal, taking into account that the sector's exposure to terrorist financing is essentially absent in Estonian practice.

Conclusion

The assessment of regulation and supervision is satisfactory, and the vulnerability of this category in the sector can be considered low.

The efficiency of compliance systems and transmission of messages

Regarding the effectiveness of compliance control systems and reporting, the vast majority of respondents admitted that they do not monitor transactions related to radical movements, hostile information campaigns, and foreign propaganda, and when they do so, mainly through the principle "know your customer" or via media. At the same time, it can be said that the requirements for the prevention of terrorist financing are also known, as this goes hand in hand with the regulation of the prevention of money laundering. In this context, it has been considered important by other legal service providers to further increase the level of knowledge and skills needed to effectively combat terrorist financing, both among themselves and in society at large. It can also be noted that a large number of legal service providers do

not have separate money laundering and terrorist financing prevention procedures and/or financial sanctioning principles in place, nor have they developed methodologies and/or guidelines for reporting suspected money laundering or terrorist financing or unusual transactions. Most of the law firms that responded to the survey do not invest in risk management technologies, programs/software, or paid databases. At the same time, databases to verify the existence of sanctions and to verify high-risk geographical areas and jurisdictions are generally known and used.

Conclusion

Based on the above, it can be concluded that the vulnerability in the sector can be considered average in terms of the effectiveness of compliance systems and rather low in terms of the effectiveness of monitoring suspicious activities.

Quality of the customer control framework

Due to the low probability of terrorist financing, not all due diligence measures specifically designed to assess terrorist financing threats are often applied in the practice of other legal service providers.

General description of due diligence measures applied to clients:

- following the "know your client" principle (background check)
- risk assessment of products/services/transactions
- checking the list of sanctions
- document verification
- monitoring the origin and movement of assets/sources
- operating according to different instructions
- assessment of risks related to geographical areas and jurisdictions.

The imposition of sanctions, embargoes, and other measures is a very high-risk indicator, and the existence of sanctions must always be checked in transactions. The existence of sanctions is easily verified from public databases (unlike PEPs) and is implemented.

Conclusion

Overall, however, the practical application of due diligence measures by other legal service providers to detect terrorist financing is sufficient, and the vulnerability of this category is average or even below average.

11.8.4.2.4. Sector-specific risk assessment with the quality of sector-specific controls

The following vulnerabilities have been identified in the analysis and assessment of sector-specific risks:

- access to information (PEPs, high-risk clients both domestically and transnationally)
- lack of effective mechanisms for identifying complex or unusual transactions
- unreliability of the information contained in the registers.

Difficulties in obtaining or verifying information may affect the vulnerability of the sector, as there is a theoretical risk of involvement of other legal service providers in criminal schemes. At the same time, in the Estonian context, cases or schemes of terrorist financing that would have taken place through legal service providers are still very rare.

Conclusion

Thus, overall, the level of vulnerability in the sector of other legal service providers to terrorist financing can be considered low.

11.8.4.2.5. Quality of response to risks identified in previous evaluations

NRA 2015 results :

With regard to terrorist financing, nothing has been specifically mentioned (see 11.8.4.1.5 above).

SRNA 2017/2019:

With regard to terrorist financing, nothing has been specifically mentioned (see 11.8.4.1.5 above).

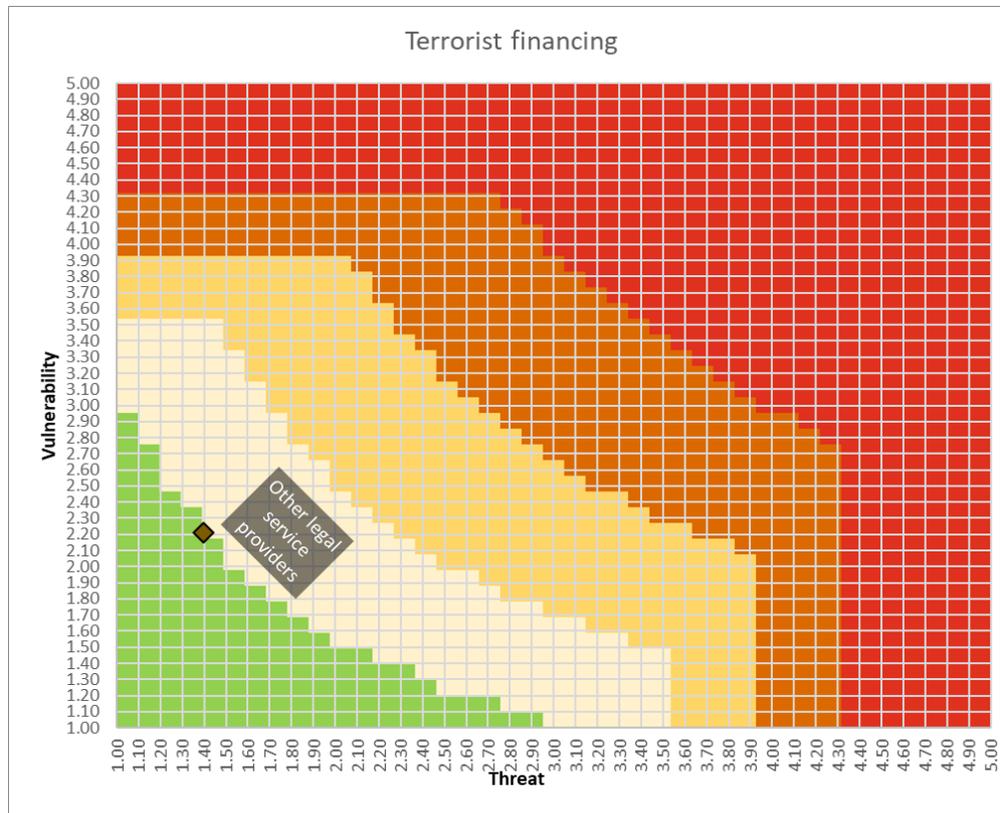
11.8.4.2.6. Conclusion

Table 112. Level of the vulnerability of terrorist financing in the sector of other legal service providers

Sector	Level of vulnerability to terrorist financing at sectoral level	
Providers of other legal services	2.21	low

On a scale of 1 to 5, according to the assessment module, the vulnerability level of the other legal service providers' sector in terms of terrorist financing is 2.21, i.e., **low**.

Figure 36. Heat map of the terrorist financing risk level in the sector of other legal service providers



Summary

The risk level of the sector in terms of terrorist financing is **low**, which means that the risk and its consequences must be accepted, and no specific measures are considered necessary. Simplified due diligence measures may be applied in the sector.

11.8.4.2.7. Risk management strategy

Due to the low vulnerability of the sector in the context of terrorist financing, it is not necessary to strengthen regulation or supervision of the sector for this reason, and the focus must be on maintaining the level achieved. Also, would be useful risk mitigation measures listed in clause 11.8.4.1.7.