

## 11.2. Professionals: vulnerability in the pawnbrokers' sector

### 11.2.1. General description of the sector

**Table 69.** Description of the pawnbrokers' sector

Market participants	Number of market participants as of 31.12.2019	Number of obliged entities	Existence of a professional association or umbrella organization
Pawnbrokers	113	100%	N/A

As of 31.12.2019, 113 pawnbrokers had an activity license in Estonia, one year later one more. The Financial Intelligence Unit (hereinafter FIU) is the competent authority for issuing, amending, and revoking activity licenses. The national threat assessment did not identify any active umbrella organization or association of pawnbrokers in operation that could be considered as an "umbrella organization." It is possible that it is namely due to the absence of a professional association or umbrella organization that pawnbrokers did not show activity in participating in the survey conducted in the framework of this assessment.

**Table 70.** Data from a survey conducted in the pawnbrokers' sector

Sector	Number of market participants	Sample volume	Sample size/ number of responses required	Number of invitations sent out	Number of responses received
Pawnbrokers	113	sample	87	113	36

In the Estonian judicial area, the service of pawnbrokers has traditionally been related to the provision of small loans secured by a pledge, whereas in the case of non-fulfillment of the loan repayment obligation, the ownership of the object pledged by the client is transferred to the lender. Legally, the definition of a service is not defined in legislation; the provision of a service takes place within the general framework of private law.

For example, pawnbrokers, together with credit institutions, financial institutions, and gambling operators, are subject to the Estonian MLTFPA, although they are not on the list of obliged entities of the 4th Anti-Money Laundering Directive (EU) 2015/849 or the 5th Directive (EU) 2018/843.

Although the service is essentially similar to a consumer credit service under the Creditors and Credit Intermediaries Act (CCIA), the legislator has excluded this Sector from the scope of the CCIA. It is important to point out the above principle, as this approach defines the FIU as the competent supervisory authority for pawnbrokers, i.e., the issuer of activity licenses and compliance with the requirements of the MLTFPA (supervisory competence was transferred from the PBGB as of 01.01.2021), while the regulator for other credit intermediaries is the Financial Supervision Authority (FSA).

With regard to pawnbrokers, the legislature has established the obligation to apply for an activity license to commence activities in the form of compliance to the following conditions (§ 72 of the MLTFPA):

- the undertaking, a member of its management body, procurator, beneficial owner, and the owner does not have any unexpired conviction for a criminal offense against the authority of the state, offense relating to money laundering or other willfully committed criminal offence;
- the persons specified in the above clause have a good business reputation;
- the compliance officer appointed by the undertaking on the basis of § 17 of the MLTFPA meets the requirements provided for in the MLTFPA.

According to the current MLTFPA, pawnbrokers are not a financial institution, however, the service provided is essentially a financial service, i.e., responsibility for operating without an activity license is determined in criminal proceedings pursuant to § 372 of the Penal Code.

The peculiarity of the service of pawnbrokers in Estonia is the fact that fewer services are offered for the buying up of goods, and the service is mainly built on the provision of small-scale, short-term loans secured by a possessory pledge. Loan amounts are often below the rate of EUR 200, which is considered in the Penal Code to be the threshold between misdemeanors and criminal liability for property offenses. Thus, even if the conversion of property obtained as a result of an illegal act could be considered, it is not possible to speak of money laundering because the origin of the property is not criminal (misdemeanor). The obligations of the MLTFPA are imposed on pawnbrokers without distinctions and, similarly to other obliged entities, and the current regulation requires both threat assessment and application of due diligence measures, as well as data retention and compliance with the notification obligation. A special feature of the sector is also the large share of cash turnover, i.e., the loan is paid out immediately after the conclusion of the contract in cash, the issuance of loans and repayment by bank transfer are rather the exception in the sector.

The pawnbroker must apply due diligence measures on the bases specified in § 19 of the MLTFPA:

- 1) upon establishment of a business relationship;
- 2) upon making or intermediating occasional transactions outside a business relationship where a transaction with a value of over 15,000 euros or an equivalent sum in another currency is made, regardless of whether the financial obligation is performed in the transaction in a lump sum or in several related payments over a period of up to one year unless otherwise provided by law;
- 3) upon verification of information gathered while applying due diligence measures or in the case of doubts as to the sufficiency or truthfulness of the documents or data gathered earlier while updating the relevant data;
- 4) in cases of suspected money laundering or terrorist financing, regardless of any derogation, exemption, or the limit amount specified by law.

Thus, usually, the obligation to apply due diligence measures to pawnbrokers can arise either by concluding a loan agreement created as a business relationship (loan secured by a pledge) or by concluding a non-business transaction if the value of this transaction exceeds 15,000 EUR (purchase of an object). Thus, there is no legal due diligence obligation, for example, when making a one-off purchase transaction (there is no doubt about money laundering or terrorist financing, there is no business relationship and the amount of the transaction is less than 15,000 EUR), as a result, these transactions do not undergo a normal evaluation and may therefore be attractive in the process of converting property obtained through offenses against property.

### 11.2.2. Description of risk typologies

Possible risk scenarios that pawnbrokers may be exposed to in terms of money laundering and counter-terrorist financing:

- The risk that the services of pawnbrokers might be used to convert assets acquired through an unlawful act regarded as a predicate offense of money laundering;
- The risk of the pawnbroker's self-interest in cooperating with criminals in the sale of assets acquired by an unlawful act;
- The risk of using funds of unknown origin to provide pawnbroker services (increasing the assets of criminal organizations);
- The risk that the clients of the pawnbrokers do not want to be identified and the pawnbrokers do not carry out the identification of the clients correctly;

**11.2.3. Threats**

**11.2.3.1. Threats of money laundering**

**The threat of using funds of unknown origin**

Proceeds from predicate offenses for money laundering (such as offenses against property) may, in particular, be converted at the stage of money laundering when using the services of a pawnbroker. Thus, there is a threat that criminal groups may use pawnshops and thus increase their assets. As a result, there is a threat of uncontrolled capital being used to provide pawnbroker services.

Based on the above, the threat of using uncontrolled capital can be assessed as lower.

**The threat of non-application of due diligence in regard to customers**

The application of due diligence measures keeps out of the sector those people who could abuse it. For-profit pawnbrokers may not apply due diligence measures to their customers and may not identify the origin of the assets. Thus, assets that have been acquired illegally (thefts, etc.) may be used in the transaction, and the pawnbrokers do not identify the origin of the client's pledged assets. The above threat is rather theoretical, as the obligation to establish the origin of the property is in the case of non-business transactions, which require a transaction value of more than 15,000 euros. The transactions of pawnbrokers generally do not exceed this amount.

Based on the above, the threat of non-implementation of customer due diligence measures can be assessed as low.

**The threat of cash transactions**

Pawnbrokers offer the issuance of short-term loans as a service, and various valuables are pledged as collateral for the loan. Cash is used as a possible method of payment. As cash is anonymous in nature, its origin is difficult for pawnbrokers to identify. At the same time, the transaction values of pawnbrokers are rather lower.

Based on the above, the threat of cash transactions can be considered average.

**Conclusion**

**Table 71.** The threat level of money laundering in the pawnbroker sector

Sector	The threat level of money laundering at the sector level	
Pawnbrokers	1	<b>low</b>

The threat of money laundering is present by consumers of pawnshop services, but it is rather **low**. As already pointed out, the value of the average transaction is low and may not always exceed the threshold of criminal proceedings, even in the case of a suspicion of a crime against property. The legislator must seriously consider whether it is justified to impose a comprehensive obligation in the form of the MLTFPA on market participants operating in the sector based on the purpose of the law or whether the Sector should be excluded from the list of obliged entities. The fact that pawnbrokers are not listed as obliged entities in the EU anti-money laundering directives and that also the same conclusion has been reached within the master's thesis defended at the Institute of Law of the Faculty of Economics of Tallinn University of Technology<sup>1</sup> in 2018 also speaks in favor of the exclusion.

<sup>1</sup> <https://digikogu.taltech.ee/et/Item/476385e0-66b8-42ed-8c89-821afffaa531>

### 11.2.3.2. Threats of terrorist financing

Terrorist financing and the threats associated with it are rather unlikely to occur in the practice of pawnbrokers. For ideological reasons, the use of the services of a pawnbroker to obtain funds (sale of assets) with the aim of sending it for use to terrorist associations or persons with such views can be seen as a theoretical threat, especially for persons related to high-threat countries, not in Estonia. Due to the nature of the services and the fact that cash transactions are widely accepted, the use of the service is inappropriate for the transfer of value.

#### **Conclusion**

**Table 72.** The threat level of terrorist financing in the pawnbrokers' sector

Sector	The threat level of terrorism at the sector level	
Pawnbrokers	1.4	<b>low</b>

Based on the available information, the threat of terrorist financing in pawnshop transactions is rather **low**.

### 11.2.4. Vulnerabilities

#### 11.2.4.1. Vulnerabilities of prevention of money laundering

##### 11.2.4.1.1. Exposure to the threat

#### **The threat of failure to identify the origin of the property**

Only five (13.9%) of the 36 respondents in the pawnbrokers' sector have been exposed to this threat, i.e., they have observed customers or transactions in the course of their business activities where there is a suspicion that the purpose is to realize the proceeds of crime.

#### **The threat of using figurehead**

The results of a survey conducted by the NRA show that the majority of respondents<sup>2</sup> there is no suspicion in the course of their activities that the persons requesting the service are figureheads.

#### **The threat of using fictitious documents**

The questionnaires revealed that the majority of market participants<sup>3</sup> have not been in contact in the course of their economic activities with customers who have sought to conceal their true identity.

#### **Threat of non-compliance with the registration obligation**

The NRA found that the monitoring and reporting of potential tax evasion transactions were low in this sector.

#### **The threat of using cash**

Although the threat of using cash in the sector is high, practically all market participants (except one market participant) confirmed that in the course of their activities, they had not observed transactions customers wanted to use high denomination cash banknotes.

Based on the above, it can be concluded that the Estonian pawnbrokers' sector is exposed to the above-mentioned threats, but the level of exposure can be considered **low**.

<sup>2</sup> 34 market participants or 94.4%

<sup>3</sup> 31 market participants or 86.1%

#### 11.2.4.1.2. Threat awareness

##### **Management commitment and leadership**

The results of a survey conducted within the framework of the NRA show that the awareness of the sector about the prevention of money laundering is rather high. The majority<sup>4</sup> of the surveyed pawnbrokers have established rules of procedure for the prevention of money laundering and terrorism, the requirement for the establishment of which arises for pawnbrokers from the MLTFPA. It is also confirmed by the majority<sup>5</sup> of respondents that their companies have developed methodologies and/or guidelines for notifying suspected or unusual money laundering and terrorist financing. Although the majority of respondents had this methodology and/or guidelines in place, the notifying statistics of the sector do not support it. Namely, during the state risk assessment period (2017-2019), no notification to the FIU has been received from pawnbrokers. Although it can be assumed that occurrence of amount-based notifications with suspected financial sanctions is unlikely in this sector, there have certainly been situations where cases of non-execution of transactions can be expected due to the impossibility of compliance with a suspicion-based notification obligation/failure to apply due diligence measures, where a suspicion-based notification obligation may be appropriate, leading to the conclusion that the sector does not satisfactorily comply with the notification obligation to the FIU.

In the absence of a single umbrella organization in the sector, unitary cross-sectoral practices have not been implemented by market participants themselves, nor can there be cross-sectoral opportunities for implementing technical solutions (due diligence, storage, and systematization of collected data). The management of each company must cope with the understanding and implementation of the regulation based on its own business model. The survey also supports this view, as the majority of respondents<sup>6</sup> confirmed or failed to say whether guidelines had been requested from pawnbrokers to establish a legal framework or whether roundtables with the participation of the private sector had taken place.

The vulnerability of the pawnbroker sector is rather moderate in terms of management commitment and leadership, and employee integrity. The results of the questionnaire show that only 20% of market participants provide training. The FIU has also not identified regular training for employees in the sector.

##### **Conclusion**

Taking into account the results of the questionnaires and the incompleteness of the notifications sent to the FIU, it can be said that the risk awareness of pawnbrokers is rather low. This is also confirmed by the fact that there is no umbrella organization in the sector and that most of the sector is not involved in the round table discussions and is not sufficiently informed.

#### 11.2.4.1.3. Legal framework and control

##### **Quality of supervision**

Supervision over the prevention of both money laundering and terrorist financing is provided for in § 64 (1) of the MLTFPA. The supervisory authority over pawnbrokers is the PBGB from 17.11.2017 to 31.12.2020; before that period, the supervisory authority was the FIU (a separate unit of the PBGB), later the supervisory authority is also the FIU (a separate state agency in the area of governance of the Ministry of Finance).

It was not possible to collect supervision statistics from the PBGB, the FIU has carried out five supervision procedures in 2017 (on-sight inspections), and the results have been satisfactory (only formal violations were identified). In 2018-2020, the FIU did not carry out supervision procedures at pawnbrokers, as the labor resources in these years have been directed to other sectors (virtual assets service providers and financial institutions).

Given the size of the sector (more than 100 companies, many with different service locations), even for the risks assessed at the lowest level, certain market participants (as explained by the supervisor's risk assessment method, including in combination with information from law enforcement) should still be inspected at regular

<sup>4</sup> 31 market participants or 86.1%

<sup>5</sup> 31 market participants or 86.1%

<sup>6</sup> In total, about 90% of market participants

intervals. It is in this sector that the FIU has observed that in the absence of regular inspections, market participants are ready not to comply with the regulation. Therefore, it is estimated that it would be necessary to carry out a minimum of 10 monitoring procedures per year, which, depending on the nature of the service, could be on-sight inspections. It is estimated that this would add at least 0.5 full-time equivalent position workload to the supervisory authority.

Guidelines and instructions that affect the assessment of risks and the fulfillment of the due diligence can be found by market participants on the website of the FIU or directly from the legislation; with regard to technical support, the possibilities created by public authorities for carrying out various inspections are available. The FIU has not prepared sector-specific guidelines for pawnbrokers.

### **Conclusion**

In general, the level of quality of regulation and supervision in the sector is above average. Due to the law, comprehensive requirements have been set for pawnbrokers, and the FIU has also prepared instructions, which can be found on the FIU website by all market participants. The sector is supervised by the FIU, but in recent years there has been no supervision of pawnbrokers, as the focus is more on riskier sectors (virtual assets service providers and financial institutions).

### **Effectiveness of compliance control systems and reporting**

The risk-based approach is extensively set out in Chapter 2 of the MLTFPA. The results of the surveys show that only a quarter of the respondents<sup>7</sup> invests in risk management technology solutions. Those respondents who invest in risk management technology solutions pointed out that the investments consist in the implementation of security requirements and the use of various programs and software.

The effectiveness of market participants' compliance control systems can be assessed on the basis of the results of the surveys as follows:

- Market participants' monitoring systems are automated.
- Market participants have a system that allows for the risk-based calculation of the client's risk level.
- A quarter of market participants invest in technical risk management solutions.

### **Conclusion**

In general, the effectiveness of the sector's compliance control systems and reporting can be considered below average.

### **Quality of the framework of due diligence measures applied with regard to customers**

MLTFPA provides situations and provides for various due diligence measures, in the application of which the pawnbroker must take the following measures in cases provided by law:

- identification of the customer or the person involved in the occasional transaction and verification of the information provided, identification and verification of the identity and the right of the representation of the representative,
- understanding the business relationship, occasional transaction or operation;
- obtaining information on whether the person is a politically exposed person, a member of his or her family, or a person considered to be a close associate;
- business relationship monitoring;
- If the legal person is served or if the person does not carry out the transaction in his or her own interest or on his or her own behalf, additional measures related to the identification of the beneficial owner will be added.

Vulnerabilities found in the survey on the quality of the customer control framework:

- More than half of the market participants do not determine or cannot say whether the company assigns risk levels to customers when providing services;

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<sup>7</sup> 9 market participants or 25%

- There is no single database for politically exposed persons and their family members and persons considered as close associates;
- More than half of the market participants cannot assess the thoroughness and reliability of Estonian information systems used to verify customer data;
- There is no access, or there is unreasonably expensive access to information for identifying and verifying high-risk customers;

**Conclusion**

The quality of the customer due diligence framework can be assessed as high. In principle, the provisions of the MLTFPA are generally applied in the sector. From the point of view of customer due diligence, the biggest vulnerabilities are the lack of a register of PEPs and the inaccessibility of information to identify high-risk customers.

**11.2.4.1.4. Sector-specific threat assessment with the quality of sector-specific controls**

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

- The complexity of identifying the use of fictitious documents;
- The complexity of identifying criminal assets;
- Identification and verification of the origin of cash;
- Identification of cases where it is desired to use high denomination cashnotes.

**Conclusion**

There are some difficulties in providing specific services and identifying sector-specific risks. However, the quality of sector-specific risk assessment controls can be assessed to be rather high.

**11.2.4.1.5. Quality of response to risks identified in previous evaluations**

With regard to pawnbrokers, an assessment has also been made in the previous, i.e., 2015 state risk assessment. The risk in the sector was assessed as average-high. The risk assessment highlighted the importance of continuing effective supervision of the sector, and the results of the surveillance should be further analyzed in order to identify key issues and consider options for reducing sector-specific risk through regulatory measures. Due to the above, the sector also received the attention of the FIU in conducting supervision procedures in 2017.

Under SNRA 2017/2019, pawnbrokers were treated under cash-intensive companies. In this sector, the sector was found to be very vulnerable. It was found that there is no uniform level of control at the EU level, for example, through common rules on cash restrictions or cash transaction reports. In addition, it was found that cash-intensive companies are inherently vulnerable due to the lack of rules for fit and proper testing of their managers and that some cash-intensive companies, such as pawnbrokers, are more vulnerable than others in that it is easier to change cash in those companies. It was also emphasized that if there are no restrictions on the sector in the country, there is a threat that there is low awareness in the sector, and no notifications will be sent to FIUs.

**11.2.4.1.6. Conclusion**

**Table 73.** Level of money laundering vulnerability in the pawnbrokers' sector

Sector	Level of money laundering vulnerability at the sector level	
Pawnbrokers	2.86	<b>low</b>

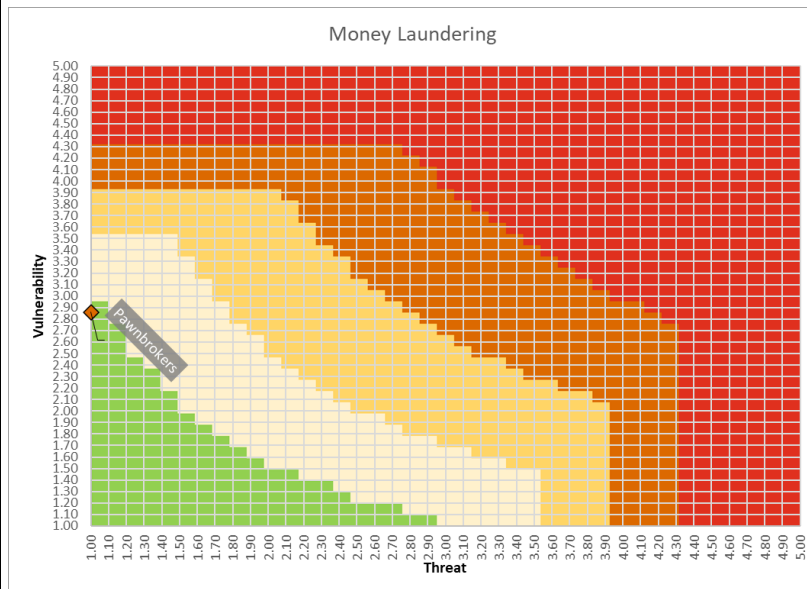
On a scale of 1 to 5, the vulnerability score of the pawnbroker sector in terms of money laundering is 2.86, i.e., **low**.

The vulnerability of the sector is generally low, as the nature and practice of services (small amounts) do not favor the systematic use of services provided in the sector for money laundering purposes. Rather, pawnbrokers

are exposed to the threat (the service provider can be in good faith or in bad faith) as the services can be used to sell illegally acquired assets or convert types of assets (an object for money), and, in theory, even when an act that comprises the necessary elements of money laundering is committed, the volume of transactions cannot be significant.

Due to the low level of vulnerability of the sector, it is unlikely that there is a need to strengthen regulation or supervision of the sector for this reason, and the focus should be on maintaining the level achieved. The removal of pawnbrokers from among the obliged entities under the MLTFPA may also be considered as a measure, as the threat that pawnbrokers will be used for money laundering is negligible. Pawnbrokers are not obliged entities under FATF recommendations or EU Directives 2015/849 and 2018/843. Pawnbrokers were initially included in the list of obliged entities at the request of the PBGB with the aim of obliging pawnbrokers to perform due diligence measures insofar as the stolen objects are sold in the pawnshops. However, this does not coincide with the purpose of the MLTFPA and international principles. Such a situation was acceptable when the FIU was part of the PBGB, but at the moment when the FIU is an independent structural unit in the governance area of the Ministry of Finance, pawnshops should be removed from among the obliged entities.

**Figure 21.** Heat map of the money laundering risk level of the pawnbrokers' sector



**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.

**11.2.4.1.7. Risk management strategy**

**11.2.4.1.7.1. 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:

- **Removal of pawnbrokers from among the obliged entities under the MLTFPA.**

Subjecting the sector to strict regulation must be necessary in the state governed by the rule of law, and regulation must be proportionate to the threat identified. Due to the nature of the service of pawnbrokers, it is not expedient to apply full-scale regulation, as the services of the sector do not allow large-scale money laundering in practice. General regulation imposes an unjustified obligation on the Sector and leads to restrictions on the freedom of entrepreneurship for entrepreneurs and additional resource costs. Due to the fact that the EU does not require regulation corresponding to the status of obliged entities in the sector, the state itself must consider whether to continue with this type of obliged entities in the future (whether the rules

established for the sector and the costs incurred by both companies and public authorities to ensure compliance meet the broader purpose of MLTFPA regulation to ensure the soundness and transparency of the financial sector).

- **Creating an obligation to provide feedback to the FIU.**

If the notification obligation is more fully complied with by the sector, the FIU must also provide feedback, in which cases the doubts in the submitted notifications have been substantiated. Otherwise, there is no knowledge in the sector as to which transactions/customers/risks should receive more attention. In essence, the feedback is guiding the practice on which transactions the FIU expects notifications from the pawnbroker sector.

- **Establishment of a national database of PEPs**

With regard to the identification of PEPs, it is helpful to set up and maintain a national database, together with ensuring appropriate access. In terms of PEP identification, the representatives of the Sector must pay more attention than before to the fact that not only the PEP itself but also persons related to them or close associates (according to the provisions of MLTFPA) can become customers.

#### 11.2.4.1.7.2. Mitigation measures at the level of obliged entities

Based on the results of the risk assessment, the following proposals are made to improve the situation within the sector:

- **To raise awareness through sector-specific training.**

If we continue with pawnbrokers as obliged entities within the meaning of MLTFPA, then to improve the identification of risks related to money laundering and terrorist financing and compliance with legal requirements and international standards, there is a clear need for specific training in the Sector on prevailing ML/TF trends, risk identification and mitigation mechanisms and notification obligations. The FIU, as a potential trainer, may, if possible, consider developing independent training material on the above responsibilities. The organization of training for both the company's responsible and other employees involved in complying with the requirements of the MLTFPA must be ensured at least once a year in terms of risk-based application of due diligence measures, compliance with the notification obligation and data retention.

- **To establish an umbrella organization for pawnbrokers.**

As a proposal, an umbrella organization should be set up/relaunched for effective cross-sectoral cooperation with the FIU and other public authorities. The service of pawnbrokers is largely the same and does not require different organizations dealing with different service directions; therefore, considering the number of market participants, the establishment of such an association could be both cost-effective and efficient in terms of planning of activities/tasks. The information collected by the umbrella organization makes it possible to identify, in cooperation with law enforcement authorities, service providers who act in bad faith on the market and may be justified in assessing compliance with the control object of the activity license.

- **To raise the sector's awareness of legislative changes.**

The risk assessment and description of due diligence measures are kept up to date in the company and amended if necessary due to a significant change in the legal environment or practice (e.g., changes in the law, FIU guidelines, information added during the national risk assessment).

#### 11.2.4.2. Vulnerabilities of prevention of terrorist financing

##### 11.2.4.2.1. Exposure to the threat

No direct exposure to terrorist financing has been identified in the activities of pawnbrokers. The threats are rather theoretical, and the risk assessment should pay attention to persons from high-risk countries or persons for whom it can be established that for ideological reasons, funds are procured to finance one's own activities or TF grouping/activities. The national risk assessment questionnaire also shows that pawnbrokers have not been exposed to terrorist financing; virtually all market participants<sup>8</sup> confirmed that they did not suspect that the loans issued by them could be used to finance terrorism.

<sup>8</sup> 33 market participants or 91.7% answered "no" and 3 market participants or 8.3% answered "can't say".

#### 11.2.4.2.2. Threat awareness

##### **Management commitment and leadership**

By analogy with the part of money laundering discussed in paragraph 11.2.4.1.2.

Market participants can inquire EU and UN sanctions on the FIU website and at [www.sanctionsmap.eu](http://www.sanctionsmap.eu). However, the survey showed that only a very small market share<sup>9</sup> had developed a mechanism to detect circumvention from sanctions, which means that awareness in the Sector is lower than expected.

##### **Brief summary**

Risk awareness of terrorist financing is low for pawnbrokers.

#### 11.2.4.2.3. Quality of prevention of terrorist financing

##### **Quality of supervision**

Analogy with the part of money laundering discussed in paragraph 11.2.4.1.3.

##### **Effectiveness of compliance control systems and reporting**

Analogy with the part of money laundering discussed in paragraph 11.2.4.1.3.

##### **Quality of the framework of due diligence measures applied with regard to customers**

Analogy with the part of money laundering discussed in paragraph 11.2.4.1.3.

##### **Quality of the identification of Sector-based international sanctions**

Pawnbrokers are not persons with a special obligation, so the obligation to apply sanctions is applicable in a general manner. Inquiries on EU and UN sanctions can be made on the FIU website and at [www.sanctionsmap.eu](http://www.sanctionsmap.eu).

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

Analogy with the part of money laundering discussed in paragraph 11.2.4.1.4.

#### 11.2.4.2.5. Sector-specific risk assessment in relation to additional controls

Analogy with the part of money laundering discussed in paragraph 11.2.4.1.5.

#### 11.2.4.2.6. Quality of response to risks identified in previous evaluations

Analogy with the part of Money Laundering discussed in paragraph 11.2.4.1.6.

#### 11.2.4.2.7. Conclusion

**Table 74.** Level of terrorist financing vulnerability in the pawnbrokers' sector

Sector	Level of vulnerability to terrorist financing at the sector level	
Pawnbrokers	2.36.	<b>low</b>

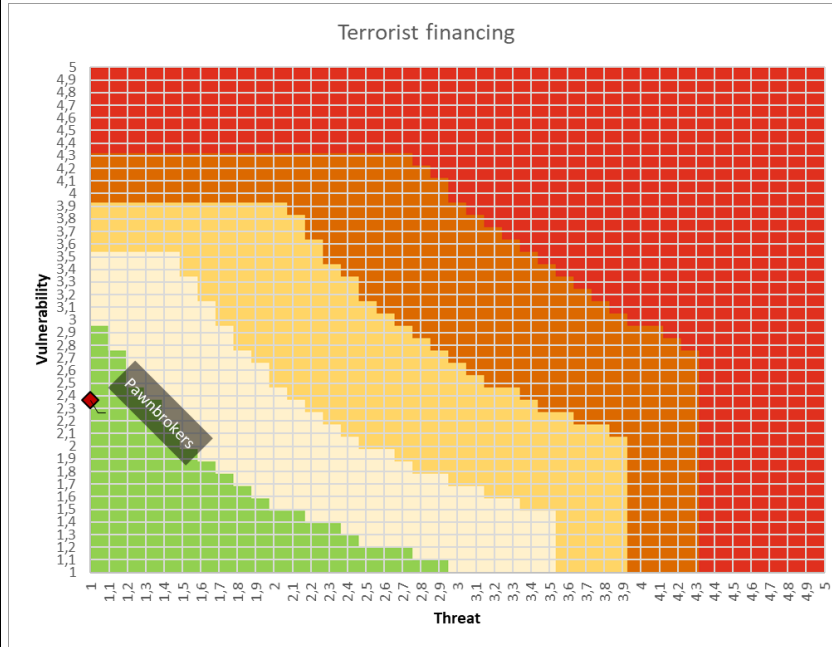
On a scale of 1-5, the vulnerability score of the pawnbroker sector in terms of terrorist financing is 2.36, i.e., low.

As the threats related to terrorist financing are rather minimal for the services of pawnbrokers, the vulnerability assessment must assess whether the current organization of the sector could in any way lead to a special

<sup>9</sup> 4 market participants or 11.1%

opportunity to be exploited for TF purposes. The working group is of the opinion that the service of pawnbrokers is in no way more vulnerable to transactions for TF purposes than other sectors, i.e., the threat is low. The identified vulnerabilities have been compensated by regulation and the requirement to exercise due diligence measures and obligation of notifying, i.e., the service is rather not vulnerable, as due diligence measures are applied on the same principles as in the case of money laundering prevention.

**Figure 22.** Heat map of the terrorist financing risk level of the pawnbrokers' sector



**Summary**

The level of risk in 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.

**11.2.4.2.8. Risk management strategy**

**11.2.4.2.8.1. Mitigation measures at the national level**

Possible mitigation measures at the national level overlap with mitigation measures against money laundering.

**11.2.4.2.8.2. Mitigation measures at the level of obliged entities**

Possible mitigation measures at the level of obliged entities overlap with mitigation measures against money laundering.