

# Evolving Payment Landscapes and AML Challenges in the Baltic States

Multilateral Strategic Study

2026



REPUBLIC OF ESTONIA  
FINANCIAL INTELLIGENCE UNIT



Financial Intelligence  
Unit of Latvia



FINANCIAL CRIME  
INVESTIGATION SERVICE

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## Abbreviations

<b>H1 2024</b>	Period, which represents the first half of the year 2024
<b>AML</b>	Anti-money laundering
<b>BaaS</b>	Banking-as-a-Service
<b>BO</b>	Beneficial ownership
<b>BoL</b>	Bank of Lithuania
<b>CDD</b>	Customer due diligence
<b>CFT</b>	Countering the financing of terrorism
<b>CRI</b>	Credit institution
<b>EBA</b>	The European Banking Authority
<b>ECB</b>	The European Central Bank
<b>EDD</b>	Enhanced due diligence
<b>EEA</b>	The European Economic Area
<b>EFSA</b>	Estonian Financial Supervision Authority
<b>EMI</b>	Electronic money institution
<b>EU</b>	European Union
<b>FATF</b>	Financial Action Task Force
<b>FI</b>	Financial institution
<b>FinTech</b>	Financial technology
<b>FIU</b>	Financial Intelligence Unit
<b>IBAN</b>	International Bank Account Number
<b>IMF</b>	International Monetary Fund
<b>KYC</b>	Know your customer
<b>LEA</b>	Law enforcement agency
<b>ML</b>	Money laundering
<b>NRA</b>	National risk assessment
<b>PEP</b>	Politically exposed person
<b>PI</b>	Payment institution
<b>PPP</b>	Public-private partnership
<b>PSP</b>	Payment service provider (in current study, CRI + PI/EMI)
<b>SEPA</b>	Single euro payments area
<b>STR</b>	Suspicious transaction report
<b>TF</b>	Terrorist financing
<b>UBO</b>	Ultimate beneficial owner
<b>VA</b>	Virtual asset
<b>VASP</b>	Virtual assets service provider
<b>VAT</b>	Value-added tax
<b>VIBAN</b>	Virtual international bank account number

## Executive Summary

This study by the FIUs of Estonia, Latvia, and Lithuania, supported by the Bank of Lithuania, provides a comparative risk-based strategic analysis of PSPs and their customer activity across the Baltic region between 2021 and H1 2024. Drawing on survey data from FIs in Estonia and Latvia<sup>1</sup>, regular payment statistics from Lithuania<sup>2</sup>, publicly available information, and FIUs' intelligence, the study examines structural differences and emerging ML typologies in a rapidly digitalising payments landscape in the Baltic region.

The primary goal of the study is to support regional FIUs, regulatory authorities and financial sector stakeholders by identifying payment service usage patterns and emerging risks, particularly those relevant to ML.

The study builds on the first trilateral study completed in 2023 on cash flows in the Baltic region<sup>3</sup>. The current study was commissioned in response to growing use of cross-border payment accounts, rising cross-border transaction volumes, the emergence of ML and tax crime typologies related to the cross-use of Baltic PSPs by Baltic individuals and entities incorporated in the Baltic region, along with the associated AML implications.

## Data Sources and Methodology

This analysis builds on statistics about payment services<sup>4</sup>, intelligence and analysis from national FIUs and relevant European-level reports. The approach involved comparative assessment of payment statistics of three Baltic states, as well as typology analysis based on the intelligence of Estonian and Latvian FIUs.<sup>5</sup>

## Key Findings

The analysis confirms that while all three Baltic countries have similar regulatory frameworks, differences in client portfolios, transaction flows, and ML exposure can be observed between the countries.

Estonia and Latvia exhibit stable, bank-dominated payment markets with a predominantly domestic client focus. Both countries have undergone deliberate risk reduction (reduced exposure to high-risk clients, mainly non-residents) and significantly strengthened AML/CFT controls. Nevertheless, the use of the BaaS model by a market participant in Estonia has introduced ML/TF vulnerabilities related to cross-border payment flows and the provision of VIBAN accounts to foreign VAs and other FinTech platforms.

Latvia's supervisory reform and de-risking strategies have significantly reduced non-resident exposure in banking services, while the government's recent strategic

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<sup>1</sup> Survey responses from 21 FIs: 10 CRIs, 10 PIs, 1 EMI operating in Estonia and 18 FIs operating in Latvia (13 CRIs, 1 PI, 4 EMIs).

<sup>2</sup> Statistics and explanations provided by the BoL on 143 FIs (18 CRIs and 125 PIs/EMIs) operating in Lithuania in 2023.

<sup>3</sup> FIU Latvia, FIU Estonia, FIU Lithuania (2023). Licit and illicit cash flows in the Baltic states. A Strategic Assessment ([Licit and illicit cash flows in the Baltic states Final.pdf](#)).

<sup>4</sup> The study focuses on Baltic PSPs (CRIs, PIs, EMIs) and covers all payment services except payment initiation and account information services. VASPs and virtual currencies are outside the scope of the study.

<sup>5</sup> The statistical data used in this study are not fully comparable due to differences in data collection methods, which may affect the results. In Lithuania, the analysis relied on regularly collected payment services statistics, while in Estonia and Latvia data were obtained through a questionnaire developed specifically for this study (partly following the Lithuanian model). Further details on the data collection approach and analytical framework are provided in the methodology chapter.

focus on enhancing a FinTech-friendly environment could potentially introduce new ML risks.

Lithuania has evolved into a regional FinTech payment centre, characterised by higher foreign client activity and increasing cross-border exposure. The dynamic growth of its digital banking, EMI and PI sectors has deepened integration within the EU financial system, in line with the EU principle of the free movement of persons and services. However, it has also heightened ML/TF risks arising from complex transaction and non-face-to-face service delivery. FIU Lithuania's growing caseload, particularly concerning foreign fraud, tax evasion, and organised crime, illustrates the consequences of these structural characteristics. These risks are reflected in Lithuania's NRA and are being addressed through enhanced AML/CFT supervision, strengthened analytical capabilities of FIU Lithuania, and close cooperation with EU and regional partners.

Across the Baltic region, CRIs dominate the payment services market both in client numbers and transaction volumes, whereas PIs/EMIs operate in smaller, niche segments, with Lithuania showing higher market penetration partly due to EMI-to-bank transitions. A common feature across all three countries is also that while private individuals comprise the majority of clients, legal entities drive most transaction activity.

In previous years, Estonian and Latvian PSPs implemented targeted client off-boarding strategies, especially for high-risk clients, thereby reshaping risk profiles and reducing systemic vulnerabilities. The risk reduction of domestic PSPs also prompted a migration of clients, with a particularly large relocation to Lithuanian PSPs observed among Latvian private individual clients. By the end of 2024, Estonian and Latvian clients overwhelmingly relied on the services of a single Lithuanian digital bank, both in terms of the number of clients and their transaction volumes.

Analysis of STR data from FIUs in Estonia and Latvia highlights consistent typologies across the region related to the use of cross-border payment accounts with accounts of Lithuanian FinTech PSPs clearly standing out among foreign accounts. Fraud-related schemes, tax evasion, and sectoral EU sanctions evasion dominate the ML landscape, often facilitated through digital banks, EMIs, and VASPs. The use of transit accounts, shell companies, strawmen, and VIBAN structures continues to complicate the identification of BO and the tracing of illicit funds. Despite a general decline in the number of STRs, the value and complexity of reported transactions have increased, reflecting improved reporting quality, on one hand, and the shifting nature of financial crime, on the other.

Spillover risks to Lithuania arising from client relocations in the Estonian and Latvian financial sectors are present, but the analysis of financial statistics and STRs indicates that these risks have been more pronounced along the Latvia-Lithuania corridor. Conversely, the spillover of risks from Lithuania's larger FinTech sector to Latvia and Estonia is limited, although some risk transmission may occur due to correspondent banking relationships between Baltic financial institutions.

### **Main risk factors:**

- High payment volumes from non-resident client groups.
- Embedded finance/BaaS models in digital payment services<sup>6</sup>, including provision of correspondent banking services to cryptocurrency platforms.
- Non-selective client off-boarding by traditional banks have led to risk migration toward less-regulated sectors.
- “Digital acceleration” that enhances digital crime, as well as rapid FinTech growth that might outpace analytical and supervisory capacity.

### **Regulatory, Supervisory, and Risk Assessment Challenges**

For all three jurisdictions, the central challenge lies in striking the right balance between enabling financial innovation and maintaining the integrity of the financial system through robust AML/CFT controls.

On a regional level, supervisory authorities may face challenges arising from the economic integration and financial sector interconnectedness across the Baltic region: combined with the mobility of customers across national borders, as observed particularly in the case of the clients of FinTech PSPs, such interconnectedness may complicate the effective monitoring and mitigation of risks.

The current lack of comprehensive and regionally aligned financial statistics (especially regarding the client structure of PIs/EMIs and cross-border payment flows) may constrain the depth and accuracy of risk assessment.

### **Recommendations**

The interplay of shared clients, overlapping UBO structures, and cross-use of PSPs in the Baltic region allows not only legitimate businesses, but also illicit actors to move funds seamlessly across borders. The following recommendations focus on enhancing risk detection, improving cross-border oversight, and promoting effective cooperation to strengthen Baltic AML/CFT framework:

- Develop joint regional indicators for PSP-related STRs.
- Conduct joint studies on sector-specific ML/TF typologies, particularly focusing on the digital banking, embedded finance, PI/EMI and VA segments.
- Prioritise the regular development and dissemination of typologies and risk indicators across the Baltic states to FIs, supervisory authorities, and LEAs, including timely sharing of emerging trends, red flags, and methods.
- Enhance staff capacity within competent authorities and obliged entities through targeted common or joint training programs on ML/TF typologies, risk assessment methodologies, and the use of advanced analytical tools, particularly for cross-border transactions.
- Improve data-gathering and harmonisation across the Baltic region by standardising reporting on CRI and PI/EMI client bases and service volumes, especially cross-border transaction volumes.<sup>7</sup>

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<sup>6</sup> It is important to note that compared to the reporting period of this study, the number of institutions providing services under the BaaS model in Lithuania has decreased. In Estonia, only one CRI market participant uses BaaS model; nevertheless, it has a significant impact on the sector's overall risk level.

<sup>7</sup> While the establishment of EU Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) may contribute to improvements in supervisory convergence and data availability over time, it is unlikely to fully substitute for the need for dedicated regional cooperation structures among the Baltic authorities.

## Introduction

This joint study by FIU Estonia, FIU Latvia, and FIU Lithuania builds on the first trilateral strategic analysis completed in 2023 on cash flows in the Baltic region<sup>8</sup>. Conducted in cooperation with the three Baltic FIUs and the BoL, the current comparative study was prepared by the strategic analysis units of FIUs Estonia and Latvia. It examines cross-border payment service use and the role of PSPs in shaping the Baltic ML risk landscape between 2021 and H1 2024.

The study's overarching objective is to comparatively evaluate the structure and evolution of the regional payment services landscape and to better understand the extent to which the activity of cross-border clients contributes to ML/TF risk exposure.

Over the reporting period, all three countries have made advances in strengthening their AML/CFT systems<sup>9</sup>. At the same time, all Baltic countries have nurtured their FinTech environment. Digitalisation has accelerated financial integration and cross-border service provision. The expansion of digital and remote services reduces the importance of geographical proximity, while simultaneously increasing exposure to cyber threats, fraud, and ML.<sup>10</sup> The EBA notes that a large majority of EU supervisors report high or rising ML/TF risks in FinTech due to rapid scale-up, cyber exposure, outsourcing without effective oversight, and inadequate CDD measures.<sup>11</sup>

The Baltic banking markets are closely integrated, especially with the Nordic region. The IMF noted in its Nordic-Baltic report (2023) that Intra-Baltic flows, though modest compared to Nordic volumes, remain regionally significant.<sup>12</sup> While Baltic states have substantially strengthened their AML/CFT frameworks, their financial interconnectedness means that risks may easily be transmitted across borders.<sup>13</sup> Therefore, payment flows between the Baltic states and the client movement between Baltic PSPs deserve special attention from the perspective of ML/TF risks. During the COVID-19 pandemic, global digital transformation accelerated significantly. Many customers of CRIs migrated to FinTech companies offering convenient, fully digital financial services, largely due to the conservative approach previously adopted by Baltic's domestic CRIs. The pandemic period also saw a rise in cyber-related crime across Europe<sup>14</sup>, alongside an increase in the shadow economy. Following the pandemic, these trends stabilised, and in some Baltic states the shadow economy even decreased<sup>15</sup>.

As per Latvia's NRA (2023), the trend of opening accounts abroad (for example, in Lithuanian PIs/EMIs) increased sharply during the period 2020-2022. The increase

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<sup>8</sup> FIU Latvia, FIU Estonia, FIU Lithuania (2023). [Licit and illicit cash flows in the Baltic states. A Strategic Assessment](#).

<sup>9</sup> For further details, please refer to Chapter 1.1.

<sup>10</sup> Buch, Claudia (2024), [Financial integration in the Baltics: lessons in resilience and transformation](#) (Keynote speech by Claudia Buch, Chair of the Supervisory Board of the ECB, at the International Financial Markets Conference in Lithuania).

<sup>11</sup> EBA (2025), [Opinion of the European Banking Authority on money laundering and terrorist financing risks affecting the EU's financial sector \(2025\)](#): p 6; Boxes 7-8 and Supervisory Risk sections.

<sup>12</sup> IMF (2023), [Nordic-Baltic Regional Report: Technical Assistance Report-Nordic-Baltic Technical Assistance Project Financial Flows Analysis, AML/CFT Supervision, and Financial Stability](#): p 16-17.

<sup>13</sup> The recent Estonia's NRA report highlights evolving cross-border exposure of Estonia and the persistent importance of regional financial linkages, especially with Latvia and Lithuania. – Rahandusministeerium (2025), Estonian NRA for Anti-Money Laundering 2020-2024 [(Estonia's NRA 2025)]: p 26-27.

<sup>14</sup> Europol (2025), [The changing DNA of serious and organised crime \(EU-SOCTA 2025\)](#).

<sup>15</sup> Sauka, Arnis; Putniņš, Tālis (2025). [Shadow Economy Index for the Baltic Countries 2009-2024](#).

was driven by the availability of remote account opening opportunities, the competition among PSPs offering modern solutions and smaller fees, and, in part, by customers who left Latvian CRIs due to de-risking procedures.<sup>16</sup> The Baltic FIUs' joint regional study on cash usage in the Baltic region pointed to the possible increased use of foreign payment accounts in the region, which warrants further attention.<sup>17</sup>

The changing payments landscape in the Baltic region, driven by FinTech expansion, cross-border integration, and global geopolitical shifts (including EU sanctions regimes, Russia-related risks), has generated new and complex threats. Fraud, tax evasion, sanctions circumvention, and autonomous ML are currently recognised as the main ML threats across the Baltic region. Estonia and Lithuania are also emphasising the threats related to crypto assets and the criminal exploitation of legal entities.<sup>18</sup>

A joint strategic analysis could enhance mutual understanding and significantly strengthen cross-border information exchange and cooperation with the closest partners, while also helping to address systemic vulnerabilities and gain a clear understanding of potential spillover effects arising from rapidly evolving payment channels.

## Research Objectives

The study is structured around two primary research objectives. First, it comparatively examines payment behaviour of private individuals and legal entities in the Baltic countries, with particular attention to the cross-border use of services, the segmentation of clients across CRIs and PIs/EMIs, and the dynamics of transaction volumes. Second, the analysis explores typologies, risk trends, and vulnerabilities identified in STRs and intelligence received by the FIUs of Estonia and Latvia, supported by statistical data and published studies from the BoL, FIU Lithuania and other open sources.

The analytical framework combines quantitative data from FIs, central banks, and FIUs with qualitative insights derived from national risk assessments, supervisory reports, and international studies. The comparative approach allows for identifying structural similarities and divergences between the three payment service markets in the Baltic region.

In addition to mapping the sector's composition and concentration, the report analyses the distribution of client types (private individuals vs. legal entities), geographic exposure, and off-boarding practices to evaluate how market transformation has influenced inherent and residual ML risks. It also considers how each jurisdiction's regulatory and supervisory framework has evolved to address vulnerabilities arising from cross-border transactions, FinTech innovation, and VA-related payment services.

Ultimately, the report provides an overview of the Baltic payment ecosystem, highlighting both the progress made in strengthening AML/CFT controls and the persisting challenges associated with fast-evolving digital payment environments. Its findings are intended to support supervisory authorities, FIUs, and policymakers

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<sup>16</sup> FIU Latvia (2023), [National ML/TF/PF risk assessment report for 2020–2022](#) [hereinafter: Latvia's NRA (2023)]: para-s 1.6.17-1.6.18 and 12.3.3-12.3.6.

<sup>17</sup> Licit and illicit cash (2023): p 33.

<sup>18</sup> FIU Estonia (2025), [Yearbook for 2024](#): p 20–26; FIU Latvia (2025), [Annual Report for 2024](#): p 13, 15; FIU Lithuania (2025), [Activity Results for 2024](#): p 16–22.

in refining risk-based approaches, enhancing cross-border cooperation, and aligning supervisory practices with emerging FinTechs and European standards.

## **Methodology**

The methodology was developed to provide a structured, risk-focused analysis of Baltic clients' use of cross-border PSPs (all CRIs and PIs/EMIs and all payment services, except for payment initiation and account information services), with a specific emphasis on AML/CFT relevance. The approach combines structured data, qualitative insights, and financial intelligence to evaluate risk characteristics and emerging AML concerns related to cross-border PSP clients in the Baltic States.

### **Data Sources and Data Collection**

#### **Financial Statistics**

In the case of Lithuania, aggregated data from the financial statistics collected by the BoL from CRIs and PIs/EMIs licensed in Lithuania were used. The necessary aggregated data sets were compiled for this project by the BoL and mediated by the FIU Lithuania. The aggregated statistics for the period 2021–2024 included data from 143 FIs (18 CRIs and 125 PIs/EMIs in 2023) operating in Lithuania.

The usability of BoL's statistics is affected both by the differences in the composition of statistical data collected from CRIs and PIs/EMIs, and by changes in data collection within the PI/EMI sector during the study period (2023).

In Estonia and Latvia, data were collected with a questionnaire specially designed for the project, following the example of the Lithuanian PSP statistics. Data collection from relevant Estonian and Latvian FIs took place during September–December 2024. In Estonia, the survey encompassed 21 FIs, based on the activity licenses issued by the Estonian Financial Supervisory Authority (EFSA): 10 CRIs, 1 EMI and 10 PIs. In Latvia, data was collected from 18 FIs, based on licenses issued by Latvijas Banka: 13 CRIs, 4 EMIs, and 1 PI.

The actual number of institutions holding PI/EMI licenses during the research period is slightly higher than reflected in this study. Account information and payment initiation services were outside the study's scope. Estonian and Latvian institutions that had not yet started operations or were in liquidation at the time of data collection were excluded.

Estonian and Latvian institutions submitted responses to a standardised questionnaire covering the period 2021–H1 2024. The collected data included types of payment services offered during the period under analysis, as well as detailed information on payment service clients and their transactions, disaggregated by:

- Type of client (legal entities and private individuals)
- Country of client (for legal entities, based on country of establishment; for private individuals, based on citizenship)
- Type of transaction
- Number and country of legal entity clients based on UBO data and the turnover of their associated payment transactions
- Destination countries for outgoing cross-border payments, specifically for Estonian, Latvian, and Lithuanian clients.

To ensure clarity and consistency in query responses, an information seminar was held on September 6, 2024, for participating Estonian PSPs. During the seminar, PSPs had the opportunity to raise questions and provide feedback on the survey

instrument. Based on this input, several improvements were made to the questionnaire prior to the launch of data collection.

As well as between 2024 and 2025, several meetings were held with the Finance Latvia Association and credit institutions in Latvia to discuss the objectives of the study, the scope of information required, and data quality considerations, with the aim of ensuring the accuracy and reliability of the data collected.

### **Data Comparability and Limitations**

To ensure the comparability of statistical data across the three countries, the data collection principles for Estonian and Latvian PSPs were designed based on the statistical rules and reporting forms provided by the BoL for Lithuanian CRIs and PIs/EMIs.<sup>19</sup>

In Lithuania, data collection focused on active clients; accordingly, the surveys in Estonia and Latvia also covered only active clients. A client's country was assigned not based on residency but based on the country of registration for legal entities and on citizenship for natural persons. This may cause deviations from the official statistics regarding the number of clients collected by the central banks of Estonia and Latvia.

Since full-year 2024 turnover data for Lithuanian CRIs were available, the 2024 figures for Estonia and Latvia were estimated instead, as their data collection relied on a one-off survey. These estimates were based on data from 2021 to the first half of 2024. The forecasting model was developed using Estonian statistical data, which indicated that turnover in H1 2024 represented 48.1% of the total turnover over the 2021–2024 period.

Several important limitations affect the data comparability across the three Baltic states:

- Self-reported data from Estonian and Latvian institutions may be subject to bias or inconsistencies in internal risk assessments.
- No survey was conducted in Lithuania, and the statistical data available for Lithuania was provided in a different format.
- In Lithuania, the data collection for CRIs and PIs/EMIs differs, which means that in some areas there is more data available for CRIs, and in others, more for PIs/EMIs.
- The Lithuanian PI/EMI sector data relevant to this study are available only from 2023 onward, as statistical collection methods in the sector changed around the midpoint of the research period (2022/2023).
- In the Lithuanian data, EEA countries are grouped under "Other EU countries" rather than under "non-EU countries," making this client group not fully comparable with those in Estonia and Latvia.
- Data about cross-border payment flows were not available for Lithuania.

Despite these limitations, triangulation between multiple sources allowed for credible and policy-relevant insights.

### **Financial Intelligence Unit and Law Enforcement Agency Intelligence**

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<sup>19</sup> The procedure and reporting forms for preparing and submitting reports to supervise the implementation of AML and counter-terrorist financing measures by Lithuanian CRIs: Procedure and reporting forms for Lithuanian PI/EMI sector: [Lietuvos banko valdybos 2023 m. kovo 9 d. nutarimas Nr. 03-59](#)".

Information was collected from national FIUs in Estonia and Latvia, as well as from Estonian Tax and Customs Board, Estonian Police and Border Guard Board and Prosecutor's Office of Estonia. This included aggregated STR/SAR and case file data, sector-specific typologies and thematic risk assessments, and patterns identified through operational and strategic intelligence. Both structured (e.g., SAR counts by sector) and unstructured (e.g., risk narratives, typology reports) data were used.

### **Publicly Available Statistics and Studies**

Complementary information was gathered from national statistics bureaus, central banks and supervisory authorities, EU level statistics and studies (including ECB), as well as sector-level reports on PSP activity, risks and client distribution.

### **Analytical framework**

#### **Descriptive Quantitative Analysis**

Basic statistical summaries were compiled to illustrate payment services offered, the number of clients per year in each country, as well as trends in transaction volumes and jurisdictions and the top PSPs by number of customers and transaction volume. Based on the Estonian and Latvian data, the summaries also covered PSP clients with UBOs from Estonia, Latvia, or Lithuania, the top countries ranked by the turnover of outgoing cross-border payment transactions by Estonian, Latvian, and Lithuanian customers each year.

#### **Pattern and Typology Identification**

Only FIU Estonia and FIU Latvia: client and transaction data from FIU intelligence were analysed to extract risk typologies, with a focus on recurring red flags reported across jurisdictions.

#### **Cross-Jurisdictional Comparison**

Estonia, Latvia, and Lithuania were analysed in parallel to identify variations in the volume of transactions, differences in client risk characteristics, and variations in the volume and nature of reported suspicious activity. Adjustments were made to account for differences in data availability and reporting structure between countries.

#### **Validation Process**

A preliminary version of the findings and methodology was shared with representatives of the national FIUs for review. No direct interviews or validation was conducted with PSPs or other parties.

#### **Confidentiality and Compliance**

All data handling complied with applicable national and EU-level data protection and confidentiality requirements. No identifiable client or institution-level information is disclosed. Data-sharing between FIUs occurred under existing cooperation frameworks.

# 1 Comparative Analysis of Payment Services in the Baltic region

## 1.1 Overview of the Baltic Region and Its Payment Service Providers

Estonia, Latvia, and Lithuania differ in population size and economic scale. At the end of 2024, Lithuania remained the most populous, with approximately 2.9 million residents, followed by Latvia with 1.9 million and Estonia with 1.4 million.<sup>20</sup> The number of incorporated legal persons also varies: Lithuania has about 215,500, Latvia 195,600, and Estonia around 341,700 legal entities.<sup>21</sup>

From an economic perspective, the three countries are broadly comparable. Based on the data published by the national statistical offices for 2024<sup>22</sup>, Lithuania remained the largest economy in the region, with GDP close to €79 billion, reflecting its larger population and economic base. Latvia's GDP amounted to around €40 billion, placing it slightly above Estonia. Estonia recorded a GDP of approximately €39–40 billion in 2024. Overall, Lithuania's economy is roughly comparable in size to Estonia's and Latvia's combined, while Estonia and Latvia remain similar in scale. Across the Baltic region, AML/CFT regimes have been significantly strengthened since the late 2010s.<sup>23</sup> Countries have invested in risk-based supervision, financial intelligence, investigations, BO registries, enhanced cooperation with EU and other international counterparts, etc. Collaboration between FIUs, supervisory authorities, and LEAs has deepened, while PPP have proven effective in identifying typologies and addressing emerging ML/TF threats. Collectively, these measures have contributed to a reduction in the overall risk exposure of PSPs operating in the Baltic states.

The Baltic payment services market is characterised by rapid digitalisation, strong links to the Nordic banking system, and a steadily expanding FinTech ecosystem. While the three countries share many commonalities, each jurisdiction has a distinct market structure, regulatory focus, and ML/TF risk profile.

In banking, all three markets are highly concentrated and dominated by subsidiaries of large Nordic groups. Longstanding market presence in all three Baltic states, client trust, and competitive fees reinforce the dominance of the largest institutions and their regional influence. However, domestic institutions are gaining ground and have diversified the sector. In Lithuania, PIs/EMIs represent a limited but notable share of the payments market, driving innovation and expanding competition in the payments landscape.

**Lithuania** has positioned itself as one of the EU's leading FinTech hubs, supported by a deliberate regulatory strategy<sup>24</sup>. The BoL has developed and managed advanced payment infrastructures (i.e., CENTROLINK payment infrastructure that grants financial institutions technical access to the SEPA for all PSPs licensed in the EEA; integration with the Eurosystem's TARGET services) and regulatory frameworks (promotion of open banking and innovative payment solutions). This

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<sup>20</sup> [Statistics Estonia](#); [Lithuania Official Statistics Portal](#).

<sup>21</sup> [Estonian Business Register](#); [Lithuania State Enterprise Centre of Registers](#).

<sup>22</sup> [Lithuania's economy grew 3% in 2024, revised data show - LRT](#); [In 2024 drop of GDP comprised 0.4 % and in the 4th quarter – also 0.4 % | Oficiālās statistikas portāls](#); [Economy grew by 1.2% in Q4 of 2024 | Statistikaamet](#)

<sup>23</sup> IMF (2023), Nordic-Baltic Regional Report: p 38–39.

<sup>24</sup> Invest Lithuania (2025), [The FinTech Landscape in Lithuania: 2024-2025 Report](#); [The FinTech Strategy of Lithuania \(2023\)](#).

innovation-friendly environment has attracted many FinTech companies<sup>25</sup>, including PSPs<sup>26</sup>; however, it has also introduced inherent risks that need to be appropriately mitigated.

In 2022, IMF highlighted higher inherent ML/TF risks in Lithuanian FinTech-related services. As per IMF, PI/EMI sector faced elevated ML/TF risk due to their business models (cross-border focus, remote onboarding, non-resident customer base, and weaker controls compared to Lithuanian CRI sector) and trending pass-through payments that complicate traceability and increase ML/TF risks.<sup>27</sup>

Within Lithuania's financial sector, the PI/EMI sector has been assessed as the highest-risk sector due to the size of its non-resident portfolio, the proportion of international transactions, and its exposure to high-risk industries.<sup>28</sup> According to the IMF staff mission statement, Lithuania's AML/CFT framework has been significantly strengthened in recent years but the supervision of PIs/EMIs and CENTROlink members is still essential to mitigate cross-border risks.<sup>29</sup>

Between 2021 and 2024, Lithuania's PSP market underwent significant regulatory tightening and consolidation. Over this period, the BoL has fostered the maturity of the FinTech sector through enhanced supervisory activities, including off-site tools and on-site inspections. As a result of these inspections, supervisory and enforcement measures were applied in cases of non-compliance with legal and regulatory requirements, and financial market participants addressed the identified deficiencies. Institutions that committed serious or repeated breaches of applicable laws and regulations had their licences revoked<sup>30</sup> and no longer conduct financial activities. The number of licensed PIs/EMIs decreased from around 140 in 2021 (54 PIs, 87 EMIs) to about 120 in 2024.<sup>31</sup> As the institutions that voluntarily terminated their licensed activities did not generate significant turnover, and most of the institutions whose licences were revoked during the assessment period due to

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<sup>25</sup> FinTech-type financial service providers differ from traditional ones by being digital-first, innovation-driven, regulatory-agile, and usually more reliant on external service providers (frequent outsourcing of infrastructure, software, payment processing, or analytics to third-party vendors) than traditional financial service providers. While Lithuania's strategy has been to foster FinTech, most FinTech companies are not financial institutions, and EPI/MI now accounts for 6.7% of the FinTech sector. – The FinTech Landscape in Lithuania 2024-2025.

<sup>26</sup> It has been noted that Lithuania is a jurisdiction that also stands out in Europe in terms of the number of PI/EMI authorisations relative to GDP. – Transparency International (2024), "Unravelling the Web": p 8.

<sup>27</sup> IMF (2022), [Republic of Lithuania: Selected Issues](#): Reinforcing Money Laundering Risk Mitigation in Lithuania: p 19.

<sup>28</sup> [LITHUANIAN NATIONAL RISK ASSESSMENT OF MONEY LAUNDERING AND TERRORIST FINANCING \(2019 – 2022\)](#) [hereinafter: Lithuania's NRA (2024)]: p 77-78; IMF (2022), "Republic of Lithuania: Selected Issues" report.

<sup>29</sup> IMF (2025), [Republic of Lithuania: Staff Concluding Statement of the 2025 Article IV Mission](#)

<sup>30</sup> For example, revocations of EMI licences for serious and systematic breaches by UAB TRUSTCOM FINANCIAL in 2022 ([Resolutions of the Board of the Bank of Lithuania | Bank of Lithuania](#)), UAB PAYRNET and Transactive Systems UAB in 2023 ([Licence of UAB PAYRNET revoked for serious violations, bankruptcy proceedings to be initiated | Bank of Lithuania](#); [Transactive Systems UAB faces fine and licence revocation | Bank of Lithuania](#)), UAB Foxpay in 2024 ([Lietuvos bankas revoked UAB Foxpay licence due to serious and systematic breaches | Bank of Lithuania](#)).

<sup>31</sup> As of 2024, Lithuania hosted 43 PIs and 76 EMIs, in addition to 13 CRIs and 6 foreign branches. It should be noted that this decrease in the number of PI/EMI institutions was not driven exclusively by the revocation of licences due to significant regulatory breaches. The majority of institutions, having assessed the competitive environment and being unable to compete effectively in the market, voluntarily surrendered their licences. –BoL (2025), Review of the activities of EMIs and PIs / 2024 ([N Elektroniniu pinigų istaigu ir mokejimo istaigu veiklos apžvalga 2024 LPU-913](#)); BoL (2025), [Banking Activity Review 2024](#); BoL (2023), Supervision of AML/CTF compliance (2022) ([Pinigu plovimo priežiūra 2023 13 EN 1](#)); [Supervision of AML/CTF compliance / 2023](#); [Supervision of AML/CTF compliance / H1 2024](#).

regulatory breaches were not major players in the sector, payment flows in the sector continued to grow.

The Lithuanian CRI sector is characterised by a high level of client concentration, with the top five institutions serving approximately 99% of all clients in 2023, the majority of clients were natural persons conducting day-to-day transactions. These institutions accounted for 95% of total transaction volume. The Lithuanian PI/EMI sector is less concentrated, with the top five providers holding 19% of clients but generating 56% of turnover, indicating that transaction volume is dominated by a small number of market participants who also provided services to the majority of business clients of the sector.

Since 2017, **Latvia**'s risk profile has undergone significant transformation, marked by a strategic, high-level political commitment to reduce exposure to high-risk non-resident businesses and strengthen financial sector stability, leading to a major restructuring of the financial sector. The country is no longer considered a regional financial centre with a banking sector heavily oriented towards servicing non-resident businesses. Today, Latvia's banking market is more consolidated, with four major institutions accounting for the majority of the market share. The number of CRIs has also declined (from 13 CRIs and 3 EU-based branches at the end of 2021 to 10 CRIs and 4 EU-based branches by the end of 2024).

This transformation has been supported by enhanced supervisory efforts from Latvijas Banka as a leading supervisor of the financial sector in Latvia and strengthened cooperation with the FIU and LEAs. While these reforms have significantly reduced systemic vulnerabilities, some risks, particularly those related to tax evasion and fraud, remain.

According to Latvia's NRA, the overall ML risk in the PIs/EMIs and CRI sector has decreased from "medium-high" to "medium", reflecting the positive impact of the ongoing reforms.<sup>32</sup> The number of institutions operating in the PI/EMI sector has varied during the reporting period, by the end of 2024, the market consisted of 8 EMIs and 4 PIs.<sup>33</sup>

In Latvia, the financial market is concentrated among the top four CRIs, which account for approximately 99% of clients and 90% of total transaction volume in H1 2024. This concentration partly reflects smaller CRIs focusing on niche segments, such as wealth management for high-net-worth individuals and legal entities. 2024 marked a transformative year for Latvia's FinTech sector. The Parliament empowered Latvijas Banka to supervise VASPs and enhance innovation through free pre-licensing consultations to VASPs and regulatory sandboxes. It also granted non-bank PIs access to the SEPA system, aligning Latvia with ECB guidelines and reinforcing its FinTech-friendly environment.<sup>34</sup>

Between 2021 and 2024, **Estonia**'s market of CRIs underwent significant changes, marked by increased digitalisation, consolidation, and the emergence of new financial products. As per Estonian NRA for the period 2020–2024, CRIs remain the core and most material component of Estonia's financial system from an AML perspective: they accounted for 99.8% of Estonia's total payment market volume in 2024. This dominance makes them central to the country's ML exposure profile.<sup>35</sup>

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<sup>32</sup> Latvia's NRA (2023): para 1.3.2.

<sup>33</sup> Latvijas Bankas (2025), [Financial sector supervision - Latvijas Bankas gada pārskats](#). A lot of changes took place in 2023 regarding the licences of PI/EMI market. - [Latvijas Banka \(2024\). Annual Report 2023](#): p 42.

<sup>34</sup> Ellex (2025), [Baltic FinTech Legal Outlook 2025](#).

<sup>35</sup> Estonia's NRA 2025: Table 25, p 57; p 58.

Despite the dominant presence of foreign-owned banks (three largest banks), local CRIs have expanded their market presence in recent years.<sup>36</sup>

The PSP Estonian market is highly consolidated across both segments. The top five CRIs represent roughly 99% of clients and turnover, and the largest five PI/EMI providers control around 99% of both clients and transaction volumes.

The overall ML residual risk level in the payment sector during the NRA reporting period remained “medium”, same level as in the previous NRA, with higher risks observed in relation to cross-border transactions and VA-related payments.<sup>37</sup> Estonia’s AML approach emphasises targeted risk-based supervision, PPP, adaptation of AML tools to technological developments, and strengthened monitoring of payment flows to mitigate emerging risks in PSP sector.

The NRA highlighted that while Estonian CRIs generally maintain robust AML controls, smaller PIs and EMIs face greater challenges in implementing effective risk mitigation measures due to resource constraints. Strict market entry controls and risk-based supervision by the EFSA are the key mitigating factors for the PI/EMI sector in Estonia. In addition, the EFSA maintains full oversight of agents operating abroad, limiting the potential for cross-border blind spots.<sup>38</sup>

Based on risk assessments of the VASP sector, Estonian regulators have identified heightened ML/TF risks associated with VASPs, prompting a more cautious and conservative approach toward FinTech companies. Estonia’s experience highlights the importance of balancing innovation with rigorous risk management in emerging FinTech companies.

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<sup>36</sup> Finantsinspektsioon (2025), [The Estonian financial services market as at December 2024](#): p 15; see also the overview of PIs and EMIs: p 38.

<sup>37</sup> The ML threat level for both CRI and PI/EMI has been considered “above average”, while their level of vulnerability is “medium.” – Estonia’s NRA 2025: p 58

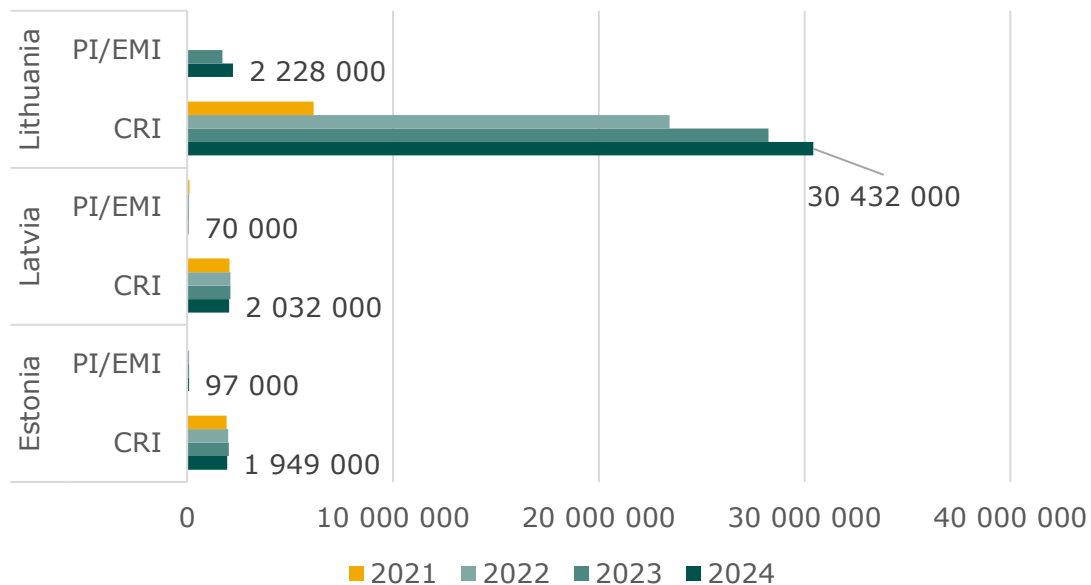
<sup>38</sup> Estonia’s NRA 2025: p 20–23, 60, 75–76. By the end of 2024, Estonia had 14 PIs, 2 foreign PIs branches, and 3 EMIs. The EMIs remained in preparatory stages with limited operational activity. – Op. cit., p 74.

## 1.2 Client Base and Transaction Volumes in the Baltic Payment Service Providers

### 1.2.1 Client Base, Transaction Volumes, and Average Payment Values

Across the Baltic States, CRIs consistently maintain a much larger customer base than PIs/EMIs. Most Estonian, Latvian and Lithuanian financial sector customers, both private individuals and legal entities, conduct their financial transactions through **CRIs**. However, PIs and EMIs are less prevalent in Estonia and Latvia than in Lithuania (Figure 1).

Figure 1. Yearly breakdown of active customers in Baltic CRIs and in PIs/EMIs



*Due to differences in data collection, the number of clients of PSPs in Estonia and Latvia is as of H1 2024, while the data for Lithuania is as of H2 2024. Data for Lithuanian PI/EMI sector for 2021 and 2022 were not available.*

In **Latvia**, CRIs in H1 2024 served 29 times more clients than PIs/EMIs. The number of active customers of CRIs has remained largely stable over the period under analysis, with only minor fluctuations, whereas the PI/EMI customer base has declined steadily year after year, suggesting reduced demand or preference for these services.

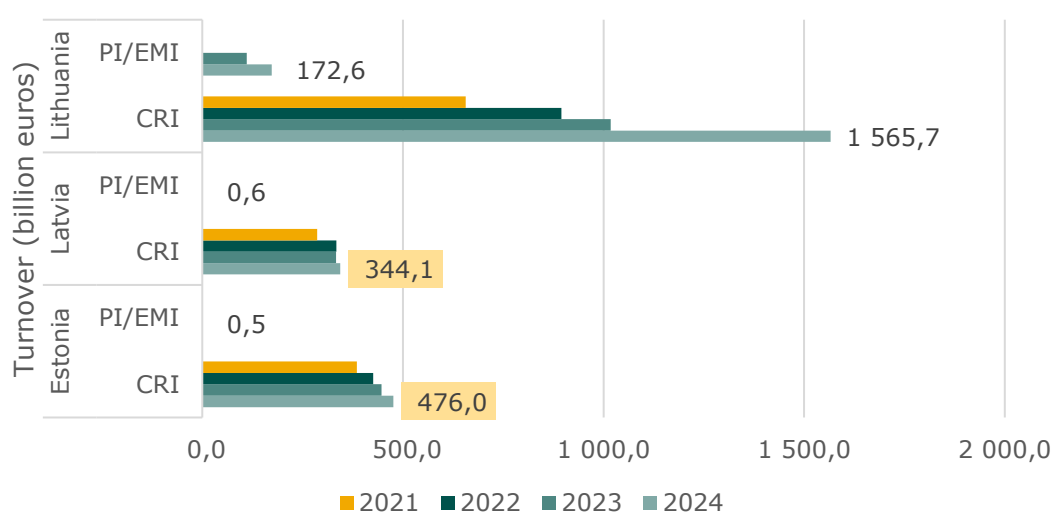
A similar pattern is observed in **Estonia**, where CRIs have consistently served around 2 million customers – comparable to Latvia, though slightly fewer. The number of PI/EMI clients in Estonia increased rapidly in 2022 compared to 2021, but since then this indicator has stabilised at around 100,000 clients – around 20 times less than the number of CRI clients.

In **Lithuania**, the gap between CRIs and PIs/EMIs is also evident, although absolute numbers are significantly higher. The number of active clients served by CRIs increased from more than 6.1 million in 2021 to about 30.4 million by the end of 2024, with much of this growth presumably driven by a former EMI being granted

full banking license in Lithuania in late 2021<sup>39</sup>. Correspondingly, the number of clients served by the PI/EMI sector declined: in 2021 these institutions collectively served close to 10 million clients<sup>40</sup>, whereas by 2024 the figure had fallen to 2.2 million. Although Lithuanian PIs/EMIs still serve substantially more than their counterparts in Estonia or Latvia, this remains 14 times fewer than the number of clients served by Lithuanian CRIs.

The relative dominance of CRIs in the Baltic region becomes even more pronounced when considering **transaction volumes** (Figure 2). The turnover generated by PI/EMI clients represents only a limited share of CRI volumes in the region. Based on 2024 data, PI/EMI turnover remains marginal in Estonia (0.2% of CRI turnover) and Latvia (0.2%), whereas in Lithuania it reaches 11%, indicating a structurally more significant role of PIs/EMIs in that market.

Figure 2. Annual client turnover comparison: Baltic CRIs vs PIs/EMIs



Data for Lithuanian PI/EMI sector for 2021 and 2022 were not available. Since the data for Estonia and Latvia for 2024 are modelled (based on turnover figures from previous periods and the H1 2024)<sup>41</sup>, these amounts are shown on the chart with a beige background.

In **Estonia**, the turnover of CRI customers increased steadily from EUR 385.5 billion in 2021 to EUR 446.7 billion in 2023, representing a cumulative growth of roughly 16%. The upward trend continued in 2024, and according to forecasts, turnover reached around EUR 476 billion. In contrast, the turnover of the clients of Estonian PIs/EMIs rose from EUR 0.2 billion to EUR 0.5 billion between 2021 and 2023. While this represents rapid relative growth for PI/EMI customers, the absolute difference remains substantial: CRI customer turnover is still almost 900 times larger than that of PI/EMI customers, highlighting the dominant role of traditional CRIs in processing the vast majority of financial transactions in Estonia.

<sup>39</sup> The Lithuanian statistical data that was used in this study was not individualised, but it can be derived from the Figure "TOP 10 EMIs and PIs by turnover [2021-2024]" in BoL (2025), Review of the activities of EMIs and PIs.

<sup>40</sup> Bank of Lithuania (08.07.2022), [Continued rapid growth of electronic money and payment institution sector led to closer supervision](#).

<sup>41</sup> Data on the turnover of Lithuanian CRIs was also available for the full year of 2024. For Estonia and Latvia, the 2024 data were estimated (because the data collection was based on a one-time survey), using data from 2021 to H1 2024. The forecasting model was constructed based on Estonian statistical data, according to which the turnover in H1 2024 of the year accounted for 48.1% of the total turnover during the 2021–2024 period.

In **Latvia**, CRI customers turnover grew from EUR 286.5 billion in 2021 to EUR 333.7 billion in 2023, reflecting consistent growth in traditional banking operations. The growth continued in 2024, reaching EUR 344.1 billion according to forecasts. Turnover among Latvian PIs/EMIs rose from EUR 0.4 billion to EUR 0.6 billion between 2021 and 2023. Even with this relative increase, the absolute volume of PI/EMI transactions remain around 500 times smaller than that of CRIs.

In **Lithuania**, CRI turnover increased substantially from EUR 656.6 billion in 2021 to EUR 1,565.7 billion in 2024. This sharp rise is largely attributable to the 2021 conversion of a major EMI into a fully licensed bank, which significantly boosted CRI transaction volumes in subsequent years. The growth accelerated in the recent period, with turnover reaching EUR 1 trillion in 2023 and surpassing EUR 1.5 trillion in 2024.

Lithuanian PIs/EMIs reported turnover of approximately EUR 172.6 billion in 2024, up from EUR 110.4 billion in 2023. Although it is still more than 9 times lower than CRI turnover in Lithuania, it is substantially higher than the corresponding PI/EMI volumes in Estonia or Latvia.

According to the Bank of Lithuania, higher transaction volumes in Lithuania stem not only from the presence of large financial institutions but also from a greater number and scale of large companies with substantial turnover. Compared to Latvia and Estonia, Lithuania's larger domestic market, regional hub role, and earlier development of major retail, energy, and industrial groups contribute to this concentration. Large EMIs registered in Lithuania also serve many clients, including the same large legal entities as CRIs, further increasing aggregate transaction volumes.

An analysis of **average annual payment amounts**, calculated by dividing total yearly transaction volumes by client numbers, reveals differences across the Baltic states' CRIs during 2021–2023.

Across all three countries, average annual payments made by legal entities significantly exceed those of private individuals. In Estonia in 2023, the average payment amount in CRIs reached approximately EUR 1.4 million for legal entities, compared to about EUR 25,000 for private individuals. In PIs/EMIs, the corresponding figures were considerably lower – around EUR 47,000 for legal entities and EUR 1,500 for private individuals.

A similar pattern emerges in Latvia, where CRI clients recorded average annual payments of approximately EUR 1.7 million for legal entities and EUR 31,000 for private individuals. In PI/EMI sector, the average payments were higher than in Estonia, reaching about EUR 398,000 for legal entities and EUR 6,000 for private individuals.

In Lithuania, for CRIs, the averages in 2023 were approximately EUR 1.8 million for legal entities and EUR 10,000 for private individual clients. Among PIs/EMIs, the average annual payment amount was around EUR 914,000 for legal entities and EUR 17,000 for private individuals.

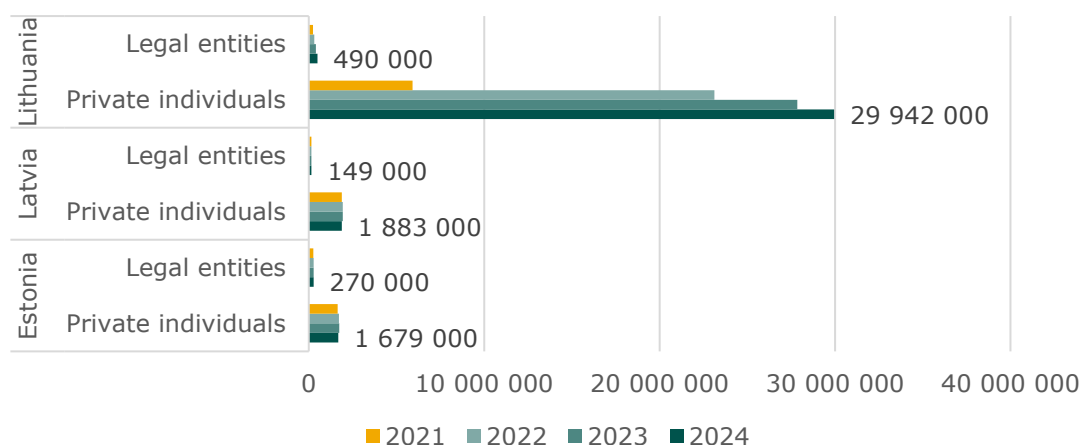
**Overall**, while PIs/EMIs are growing in relative terms, the Baltic financial market remains concentrated in CRIs in terms of both client and transaction volumes. In Estonia, CRIs serve roughly 20 times more clients than PIs/EMIs, with transaction turnover nearly 900 times higher. Latvia shows a similar pattern: CRIs have nearly 29 times more clients than PIs/EMIs, and process around 500 times the transaction volume, with the PI/EMI client base declining. Nevertheless, the turnover of Lithuanian PI/EMI services continues to grow. In Lithuania, the client gap between

the sectors is narrower than in Estonia and Latvia: CRIs have 14 times more clients than PIs/EMIs and turnover for CRIs is 9 times larger.

### 1.2.2 Client Type Analysis: Legal Entities vs. Private Individuals

Across all three Baltic states, private individuals significantly outnumber legal entity clients in the **CRI sector** (Figure 3), though the degree of it varies by country.

*Figure 3. Breakdown of customers in Baltic CRIs by type – private individuals and legal entities*



*Due to differences in data collection, the number of clients of Estonian and Latvian CRIs is as of H1 2024, while the data for Lithuania is as of H2 2024.*

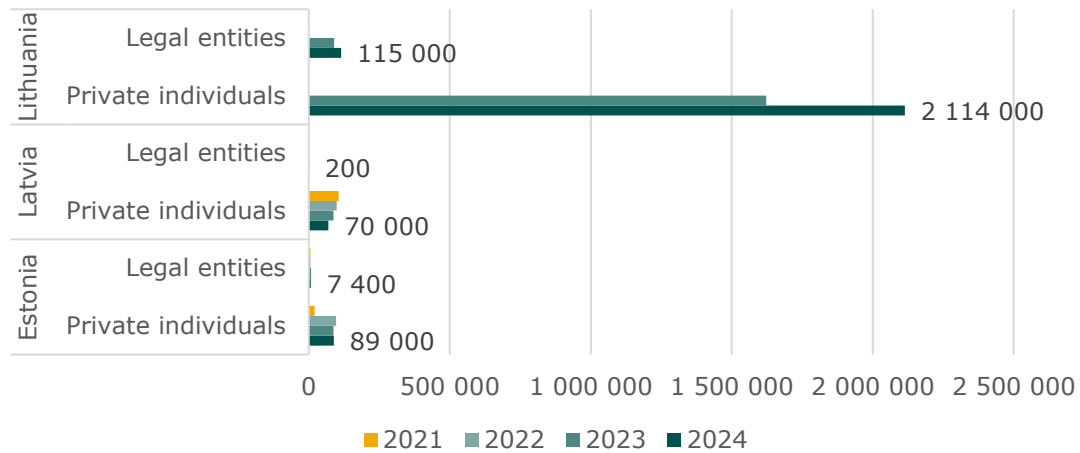
In **Latvia**, private individuals have consistently formed the majority of the CRI client base. In 2021, the ratio of private individuals to legal entities was approximately 12:1, increasing slightly by the H1 2024. This gradual rise reflects the growing predominance of retail customers and the continued demand for personal banking services. Such a distribution is typical for a mature banking market, as the number of residents naturally exceeds the number of incorporated legal entities.

**Estonia** shows a more balanced distribution of CRI clients, with the ratio stable at around 6:1 over the period under analysis.

**Lithuania** exhibits both the highest ratios and the most volatility. In 2021, private individuals outnumbered legal entities by roughly 25:1; by 2024, this had climbed to 61:1. According to the Bank of Lithuania, such growth is driven exclusively by a single financial market participant, which stands out due to a large number of private individual clients and differs significantly from other CRIs. Eliminating the impact of this participant, the CRI sector in Lithuania would be similar to that in Latvia and Estonia.

As observed in the previous chapter, client volumes in the **PI/EMI sector** are considerably smaller overall. In Lithuania, the PI/EMI sector serves significantly more clients than in Estonia or Latvia, yet the numbers remain well below those observed in CRIs. This pattern holds when distinguishing between private individuals and legal entities (Figure 4).

Figure 4. Breakdown of customers in Baltic PIs/EMIs by type – private individuals and legal entities



Due to differences in data collection, the number of clients of PIs/EMIs in Estonia and Latvia is as of H1 2024, while the data for Lithuania is as of H2 2024. Data for Lithuanian PI/EMI sector for 2021 and 2022 were not available.

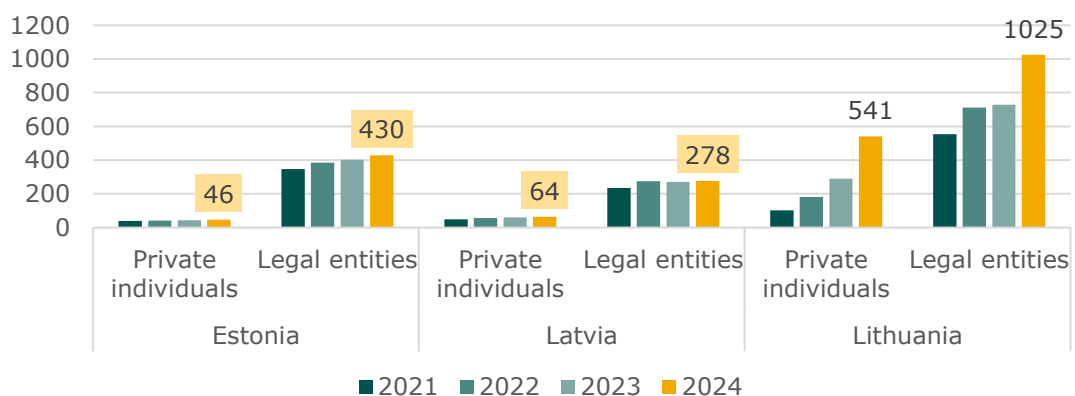
In **Latvia**, the PIs/EMIs customer base is dominated by private individuals. The ratio of private individuals to legal entities, which stood at 451:1 in 2021, has declined to 291:1 by the H1 2024.

**Estonia** slightly surpasses Latvia in overall PI/EMI client numbers, supported by the entry of new market participants and growth trends in both client numbers and transaction activity. Estonia contrasts with Latvia in having a significantly higher proportion of legal entity clients within the PI/EMI sector. However, the ratio of private individuals to legal entities has increased considerably, moving from below 4:1 in 2021 to 12:1 by mid-2024.

**Lithuania** stands out as the region’s largest PI/EMI market by client numbers, maintaining a high and relatively stable ratio of private individuals to legal entities of 18:1 in recent years.

Although across the three Baltic countries private individual clients of CRIs represent the largest share of customers, legal entities generate considerably greater transaction volumes (Figure 5).

Figure 5. Yearly breakdown of transaction volume (in billions of euros) in Baltic CRIs by customer type – private individuals and legal entities



*Since the data for Estonia and Latvia for 2024 are modelled (based on turnover figures from previous periods and the H1 2024), these amounts are shown on the chart (Figure 5) with a beige background.*

Between 2021 and 2024, **transaction volumes** across all three Baltic states have grown for both legal entities and private individuals. Lithuania leads in both client groups in total turnover, followed by Estonia and Latvia. Lithuania has recorded a particularly strong increase in transaction volumes, outpacing Estonia and Latvia by a wide margin.

The turnover volume generated by PI/EMI clients generally represents only a small fraction of that generated by CRI clients across the Baltic region.

In **Estonia**, among private individuals, the turnover volume of PI/EMI clients is on an upward trend but remains modest, accounting for approximately 0.3% of the turnover volume of private individual clients of CRI institutions. For legal entities, the share is 0.1%. In **Latvia**, the transaction volume share of PI/EMI clients compared to CRI clients stands at about 1% for private individuals, while for legal entities it is even lower, below 0.05%. In **Lithuania**, both turnover shares and their fluctuations are more pronounced. For private individual clients, PI/EMI turnover accounts for 6.1% of CRI transaction volume, while for legal entities it reaches 13.6%.

In 2023, the **average annual payment amounts** for private individual clients of CRIs are broadly comparable in Estonia and Latvia, at approximately EUR 25,000 and EUR 30,000 respectively. Lithuania reports a lower average of around EUR 10,000; however, according to 2024 data, this figure increased to approximately EUR 18,000.

As a general pattern, average payments by PI/EMI clients remain below those observed for CRI clients. Lithuania represents an exception: in 2023, the average annual payment amount for PI/EMI private individual clients reached EUR 17,000, approximately 1.6 times higher than the corresponding CRI average. However, this relationship changed in 2024, when the PI/EMI private individual client average declined to EUR 15,600, while the CRI private individual client average increased to EUR 18,000.

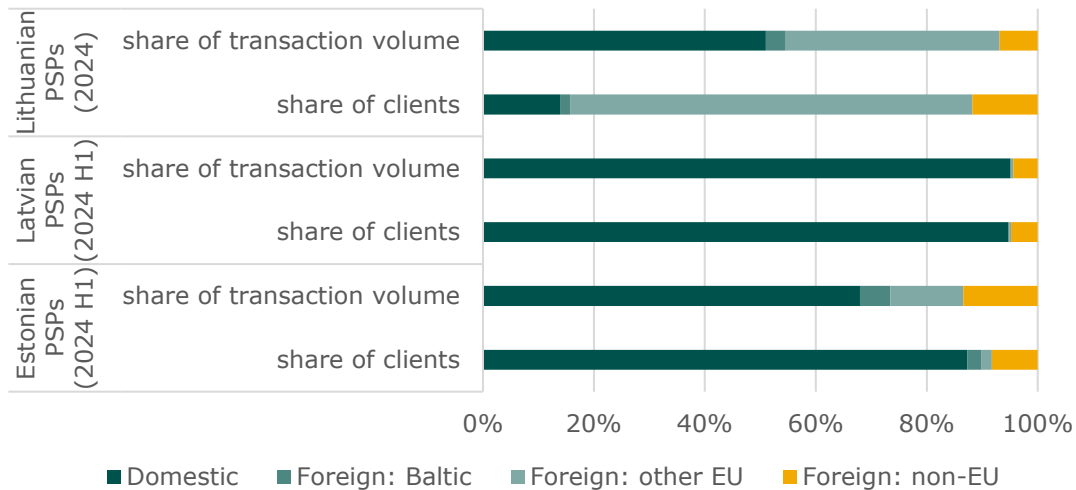
A more pronounced divergence is observed in the legal entity segment. In Estonia, the average annual turnover for legal entities amounts to roughly EUR 1.4 million within CRIs, compared to around EUR 46,500 in PI/EMIs. In Latvia, the respective averages stand at approximately EUR 1.7 million in CRIs and nearly EUR 400,000 in PI/EMIs. Lithuania records the highest annual averages: legal entity payments in CRIs amount to approximately EUR 1.8 million in 2023, increasing to just over EUR 2 million in 2024. In the PI/EMI segment, Lithuanian legal entity average payments exceed EUR 900,000 in 2023 and rise to around EUR 1.2 million in 2024.

Overall, the data demonstrate structurally higher transaction values within CRIs, particularly for legal entities. Lithuania stands out for the comparatively material role of PI/EMIs and for the high average payment size of PI/EMI clients that constitutes a clear outlier relative to the prevailing regional pattern. In aggregate terms, legal entities drive turnover, while private individuals dominate in terms of client numbers.

### 1.2.3 Geographic Distribution of Payment Service Provider Clients

This section analyses the geographic distribution of clients across Estonian, Latvian, and Lithuanian FIs, highlighting domestic concentration and exposure to foreign clients (Figure 6).

Figure 6. Share of clients and their turnover in Baltic FIs by the region of client origin, 2024



Due to differences in data collection, the number of clients of FIs in Estonia and Latvia is as of H1 2024, while the data for Lithuania is as of H2 2024.

**Estonian** FIs continue to maintain a predominantly domestic client base. Estonian citizens and legal entities account for approximately 87–91% of all clients over the period 2021–H1 2024, demonstrating strong orientation to domestic market. Clients from other EU member states represent only 1–2%, while non-EU clients account for 7–8%, showing a slight upward trend. Cross-border exposure to Latvian and Lithuanian clients remains very modest, indicating that Estonian institutions operate primarily within domestic markets and have limited regional client penetration.

For Estonian CRI clients, segmentation by client origin reveals a pronounced difference between private individuals and legal entities. Among clients from Latvia, Lithuania, and other EU countries, the ratio of private individuals to legal entities ranges between 10:1 and 25:1. The difference is most pronounced among non-EU clients, where the ratio rose sharply from 291:1 in 2021 to 692:1 in H1 2024, indicating that the non-EU client base consists overwhelmingly of private individuals, with legal entities representing only a marginal share.

Customer composition among PI/EMI clients in Estonia also fluctuates depending on client origin. However, the differences are larger in case of clients from Lithuania (around 29:1 in H1 2024) and from other EU countries (around 19:1 in H1 2024), and smallest for countries outside the EU (around 2:1 in H1 2024).

Transaction volumes reflect a similarly domestic focus. Estonian clients account for 67–70% of total volumes during the period. Latvian and Lithuanian clients collectively represent 4–6%, clients from other EU countries 12–16%, and non-EU clients 12–14%. A slight upward trend is visible in non-EU exposure, increasing from 12% to nearly 14% in 2023.

**Latvian** institutions display a similar pattern of domestic concentration, with Latvian clients comprising about 95% of the total customer base during the period under analysis. Exposure to non-EU clients remains limited, accounting for approximately 4–5%. As in Estonia, Latvian FIs engage minimally with clients from other Baltic states or EU countries, indicating a stable, domestically focused client structure associated with low regional and cross-border risk.

By client type, private individuals dominate. Among PI/EMI clients, this dominance is particularly driven by domestic customers, where legal entities are scarcely represented. In contrast, among clients from other countries, the ratio of private individuals to legal entities is much lower – typically between 2:1 and 6:1 – suggesting that customer composition differs significantly depending on geographic origin.

Transaction volumes in Latvia reflect a concentrated domestic-centric structure. Latvian clients account for 88–89% of volumes, while Estonian and Lithuanian clients contribute 7%. Clients from other EU and non-EU countries each account for approximately 2%.

**Lithuanian** institutions have a client base that is more EU-focused<sup>42</sup>. In 2024, domestic clients accounted for only around 14% of the total client base, while regional exposure to Estonian and Latvian clients remained small (2%). The share of clients from other EU countries was 72% in 2024. In contrast, the proportion of non-EU clients was around 12% in 2024. The proportions were similar in 2023.

Between 2023 and 2024, Lithuanian CRIs gained more than 2 million clients across all geographic groups and including both legal entities and private individuals. The number of clients in most Lithuanian CRIs grew only slightly, while the majority of client growth was driven by a single large CRI operating in Lithuania under the EU freedom to provide services.

In terms of transaction volumes, domestic clients of Lithuanian FIs accounted for 70% in 2023 and 51% in 2024, indicating that despite larger client numbers in some other groups, local clients still generate a considerable share of turnover. Transactions by Estonian and Latvian clients have remained below 4%, while those from other EU countries are substantial, reaching approximately 39% in 2024.

Data from Lithuanian CRIs for 2024 show a significant decline in the share of turnover generated by domestic clients, although their absolute transaction volumes continue to grow. At the same time, the share and the absolute volume of turnover attributable to clients from other EU Member States has increased considerably. Turnover by Estonian, Latvian, and non-EU clients have also risen significantly, measured in tens of billions compared to 2023.

Overall, the transaction volume data indicate that domestic clients dominate across all Baltic countries, although this is less pronounced in Lithuania. However, there are notable differences in client structure: Lithuania has a significantly larger share of non-Baltic clients' turnover, reflecting a higher degree of international exposure compared to Estonia and Latvia.

Analysis of transaction volumes by local clients in CRIs across Estonia, Latvia, and Lithuania reveals distinct patterns between private individuals and legal entities.

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<sup>42</sup> In the Lithuanian data collection, the client country is determined by residency and EEA countries (Norway, Liechtenstein, and Iceland) are included under "Other EU countries" rather than under "non-EU countries." Therefore, this client group is not fully comparable with those in Estonia and Latvia.

For **private individuals** in Estonia and Latvia, local clients consistently accounted for around 90% or more of both the total transaction value and the number of clients during the period under analysis, indicating a stable and predominantly domestic retail banking activity.

Lithuanian institutions present a markedly different trend from Estonia and Latvia with the share of local CRI clients in private individuals' transaction volume dropping from 83% in 2021 to 24% in 2024, and the share of local clients by number falling from 65% to 14% over the same period. Although the turnover of Baltic private individual clients in Lithuanian CRIs has increased, the majority of the growth – particularly in absolute terms – originates from clients in other EU member states and in non-EU countries. These substantial changes are driven by the growing influence of a digital “challenger bank”.

For **legal entities**, Lithuania and Latvia record a higher share of local clients' transaction volumes than Estonia. In Latvia, the share has remained relatively stable between 86–87% over the period under analysis, while in Lithuania it has been even higher, ranging from 88% to 97%. A slight downward trend is observed in Lithuania, with the local share declining from 97% in 2021 to 88% in 2023. In Estonia, the corresponding share has been considerably lower, fluctuating around 64–66%.

According to 2024 data for Lithuania, the share of transaction volumes generated by Lithuanian legal entity clients in CRIs has declined significantly in relative terms. Although the absolute volume has risen, the share has fallen to around 68%, roughly in line with the Estonian indicator – albeit on a much larger scale, since total turnover of all legal entity clients in Lithuanian CRIs has surpassed EUR 1 trillion.

At the same time, turnover generated by Estonian legal entity clients in Lithuanian CRIs has more than tripled between 2023 and 2024, increasing from EUR 7.3 billion to EUR 26.3 billion. A similar, though less pronounced, trend is observed for Latvian legal entity clients, whose turnover has more than doubled from EUR 5.5 billion in 2023 to EUR 14.3 billion in 2024. Turnover generated by private individual clients in Lithuania has also increased substantially.

More broadly, the proportion of turnover attributable to local (Lithuanian) legal entity clients relative to total CRI turnover in Lithuania (including both corporate and private individual clients) has decreased from approximately 63% to 45%. This shift also reflects the growth in turnover generated by private individual clients during 2024.

Across most client groups, the share of turnover generated through Lithuanian PIs/EMIs is lower than that recorded in CRIs. An exception is observed among non-EU legal entity clients, where transaction volumes processed by PIs/EMIs (EUR 25.1 billion in 2024) exceed those in CRIs (EUR 15.0 billion in 2024); a similar pattern is evident in 2023.

Another exception is observed for Estonian private individual clients using Lithuanian PIs/EMIs. In 2023, their transaction volume reached EUR 3.8 billion which more than 4 times higher than the turnover generated by the same client group within Lithuanian CRIs (approximately EUR 864 million). However, this relationship reversed in 2024: transaction volumes for Estonian private individual clients within Lithuanian PIs/EMIs declined to EUR 456 million, while turnover within Lithuanian CRIs increased to EUR 2.2 billion.

In conclusion, transaction turnover across the Baltic countries generally reflects client distribution patterns, with domestic clients dominating overall. However, differences emerge in client composition and international exposure. Lithuania has a significantly larger share of non-Baltic clients, highlighting greater cross-border activity.

Trends among Lithuanian CRIs regarding **private individual clients** differ markedly from those in Estonia and Latvia. In Lithuania, the share of transaction volume generated by domestic private individual clients declined sharply from 83% in 2021 to 24% in 2024. A similar pattern is observed in the PI/EMI sector, where the share decreased from 38% in 2023 to 20% in 2024. A comparable shift is also evident in client numbers. The proportion of domestic private individual clients in Lithuanian CRIs fell from 65% in 2021 to 14% in 2024, while in the PI/EMI sector the share declined from 11% in 2023 to 6% in 2024.

**Legal entity clients**, although fewer in number, account for a substantial share of turnover. Lithuania and Latvia record a higher share of local clients' transaction volumes than Estonia. In Latvia, this share remains stable at 86–87%, whereas in Lithuania it declined from 97% in 2021 to 88% in 2023. In contrast, Estonia's local share for legal entities is considerably lower, fluctuating between 64% and 66%.

However, 2024 data for Lithuanian CRIs indicates a significant relative decrease in the share of Lithuanian legal entity clients in CRI transaction volumes. Although the absolute volume has continued to increase, the share has fallen to around 68%, bringing it roughly in line with the Estonian indicator. In addition, the transaction volumes reported as local in CRIs are not exclusively domestic in origin, as Lithuanian CRIs service local PI/EMI clients that also process transactions of foreign clients.

Overall, Lithuania exhibits higher international engagement and a decline in domestic private client dominance, compared to other Baltic countries.

### **1.3 Payment Service Provider Client Base and Transaction Volume from Money Laundering Risk Perspective**

The analysis of average annual payment sizes indicates that cross-border client representation within the Baltic financial sector is uneven and asymmetrical. Legal entity clients of Estonian FIs show markedly higher average annual volumes for customers based outside the EU, as well as for those from Lithuania and other EU countries. Latvian customers also tend to make higher-value payments compared to local Estonian clients, highlighting cross-border dynamics influencing transaction sizes.

In Latvia, the average annual payment volume for foreign clients is also significantly higher than for local clients, though the differences are smaller than in Estonia.

In Lithuania, average annual payment values follow a different pattern. For example, local clients generally tend to generate higher average annual turnover than foreign clients, although several exceptions exist. For instance, based on 2023 data, Estonian private individual clients in Lithuanian financial institutions recorded higher average payment volumes than Lithuanian clients.

Notably, in one Lithuanian CRI – also the institution where Estonian and Latvian clients in Lithuanian CRIs are concentrated – the number of local Lithuanian legal entity clients is relatively small compared with other large Lithuanian CRIs. Yet the average transaction value per client is considerably higher than in these other

institutions, with a sharp increase between 2023 and 2024 when the average annual payment rose 3.5 times.

In addition, the Bank of Lithuania's data on correspondent banking operations in Lithuania indicates that the value of operations with Lithuanian correspondents increased almost 14-fold from 2022 to 2023, while the number of operations grew by less than 15%. This suggests a substantial increase in average transaction value. Based on these indicators alone, no definitive conclusions can be drawn regarding the underlying drivers of this growth. Transaction flows of Lithuanian resident legal entities within correspondent banking relationships (CRIs) may partly reflect the servicing of domestic PI/EMIs. However, this interpretation is indicative in nature and would require confirmation through additional counterparty sectoral breakdowns.

As per data that the BoL collects from PIs and EMIs about certain types of customer activity<sup>43</sup>, Lithuanian PI/EMI companies themselves also act as respondent institutions: their FI clients accounted for 24% and VASPs for 10% of all total transaction volume of Lithuania PIs/EMIs in Q4 of 2023. In Q2 of 2024, the share of FI respondents was 21% and VASP respondents 15%.

An examination of the client structure of Lithuanian PI/EMIs further shows that in 2024 these institutions served slightly more than 110,000 legal entity clients. Roughly 27% of these were domestic Lithuanian companies (the number of local clients continues to grow) while Estonian clients represented just under 12%, Latvian clients around 9%, clients from other EU countries 44%, and those from non-EU jurisdictions slightly more than 8%.

In practical terms, the activity of Lithuanian CRIs in servicing local PI/EMI clients indicates that the category of "local clients' turnover" may partially include foreign clients' transactions processed through domestically established PI/EMIs. As a result, the transaction volumes reported as domestic within CRI statistics are not necessarily exclusively domestic in origin.

In Latvia, services related to FinTech-driven digital banking, EMIs, PIs, and VA have largely been limited to niche credit institutions, if any. The Latvian market remains concentrated, with the majority of traditional banking services serving domestic clients. As a result, specialising digital and emerging payment channels are offered only by a small number of niche CRIs, reflecting both the market's size and cautious approach of larger institutions toward high-risk or non-resident clients.

While the structural transformation observed in Lithuania—towards a digital payment centre dominated by cross-border clients—is more pronounced, some elements of the same risk pattern are also relevant for Estonian CRI sector because of embedded finance/BaaS<sup>44</sup> business model that is used by a single Estonian CRI market participant.

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<sup>43</sup> Clients categorised into seven activity areas: FIs, companies involved in currency exchange, VASPs, gambling companies, IT/marketing/consultancy, adult services, trusts, and non-profit organisations. Comparable statistical data are not available for Lithuanian CRIs or Estonian and Latvian PSPs.

<sup>44</sup> BaaS platforms typically serve FinTechs, digital banks, e-commerce platforms, marketplaces, and corporates that need open banking and embedded financial services without becoming licensed banks. Their clients often range from startups using APIs for basic payment processing to large enterprises seeking multi-bank integration or cross-border payment capabilities. These models handle high-volume, low-value, API-driven transactions (card/e-money and other retail electronic payments) with frequent settlement cycles. Payment hubs focus on consolidating flows across channels and banks, optimising routing and reconciliation. – The Paypers, [The Paypers' Embedded Finance and Banking-as-a-Service Report 2023](#); Thomas Garcia, Maciej Grodzicki and Petya Radulova (2025), [Digital banking: how new bank business models are disrupting traditional banks](#)

As previously presented in Figure 5, Estonia stands out in the region in terms of legal entities' turnover, although to lesser extent than Lithuania. Since 2021, the share of payment volumes generated by clients from other countries, particularly non-EU business clients, has increased slightly in Estonian CRIs. This suggests that Estonia's payment environment, though still centred on traditional banking, is becoming increasingly internationalised.

According to Estonia's NRA, this trend is explained by higher cross-border transaction volumes related to correspondent banking services. The data presented in the NRA reveal that respondent institutions' cross-border payment volumes have risen, despite a reduction in the number of such relationships. The ML threat level of CRIs that strongly dominate the Estonian financial system is assessed as "above average" in the NRA mainly because of sustained systemic exposure linked to correspondent banking, foreign FinTech companies, and non-resident flows. The "medium" vulnerability rating, however, implies robust control frameworks, yet these do not fully offset risks stemming from the scale and velocity of cross-border financial activity.<sup>45</sup>

The intelligence of Estonian FIU demonstrates that suspicious funds are often channelled through Estonian financial system using VIBANs, which obscure UBO and transaction origin. Although the number of STRs submitted to FIU Estonia in relation to correspondent banking has decreased during the NRA reporting period and the number of respondent institutions has also declined, the cross-border payment volumes of respondent FIs have risen (from EUR 105 billion in 2021 to EUR 136 billion in 2024). Of these, payments of PI/EMI respondents reached EUR 84 billion in 2024, while VASP-related transactions reached EUR 33.5 billion. Approximately 89% of total cross-border payment volume involved non-resident respondents, mostly from the EEA and the United Kingdom.<sup>46</sup>

Overall, some core ML vulnerabilities of Estonia align with those identified for Lithuania, namely high transaction volumes relative to the size of client base, and involvement of FinTech and VA intermediaries. Added to these is the opacity in payment chains through VIBAN structures.

The ML/TF risks in Baltic payments environment are related to three main channels: traditional banking, FinTech-driven PSPs and VAs. Traditional banking has to some extents experienced the movement of clients from CRIs to foreign alternative service providers – digital banks, PIs, EMIs, and VASPs. FinTech-driven digital banks, EMIs, and PIs are characterised by rapid growth, technological innovation, remote onboarding, and customer bases with a high proportion of non-residents—factors that heighten inherent ML/TF risks. VAs and emerging channels might complicate customer due diligence, obscure UBO, and hinder transaction monitoring across jurisdictions.

Latvia's NRA (2023) flags VIBANs and open-banking structures as emerging risks because of sub-account opacity, unclear responsibility for CDD/monitoring, and difficulties for FIU/LEAs when requesting information or freezing assets across jurisdictions. Estonia's NRA (2025) also flags VIBAN services offered to other financial intermediaries without sufficient risk assessment of their clients, as well as the use of bundled transaction files (batched payments) that prevent adequate risk profiling.<sup>47</sup> While supervisory capabilities in Baltic states have expanded, these

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<sup>45</sup> Estonia's NRA (2025): p 57; 63–64.

<sup>46</sup> Estonia's NRA (2025): p 63, Table 28; p 57; p 63–64.

<sup>47</sup> Latvia's NRA: para-s 1.6.1–1.6.5; Estonia's NRA (2025): p 66.

innovations still test the limits of existing AML/CFT tools, requiring coordinated regional responses.

The different exposure of Baltic states to cross-border crime is reflected in the FIU statistics regarding cross-border cooperation. The frequency of exchanging foreign requests for information between the Baltic FIUs highlights very active monitoring and collaboration within the region. By the end of 2024, the number of foreign requests received by the FIUs of Estonia and Lithuania was trending upward, whereas the Latvian FIU saw a decline in foreign inquiries. This development is consistent with the changes in Latvia's overall ML/TF risk profile, including the continued reduction in the exposure of the financial sector to higher-risk non-resident business.

In recent years, the Lithuanian FIU has received a notable number of foreign inquiries related to cross-border fraud, VAT evasion schemes, money laundering, organised crime, sanctions compliance, and other financial irregularities. These inquiries often involve both Lithuanian and foreign entities and natural persons, including accounts held in Lithuania that were used for international fraudulent transfers or other illicit activities.<sup>48</sup> The focus of inquiries that FIU Estonia has received remain on fraud and suspicious funds routing through Estonia, especially involving non-resident accounts, Estonian-registered legal entities, and payment/crypto intermediaries. Foreign requests received by FIU Latvia have largely concerned ML suspicions, tax-related crimes, fraud, and misappropriation of assets.<sup>49</sup>

According to the intelligence of Baltic FIUs, as well as open sources, payment services in Estonia, Latvia, and Lithuania have more frequently been used to facilitate the movement of funds during the layering stage of ML schemes including fraud-related flows, tax evasion schemes, and sanctions evasion, through the use of digital banks, EMIs and VASPs. This reflects the role of Baltic FIs within broader international transaction chains that expose the sector to elevated risks associated with complex layering activities.

Recent extensive criminal schemes involving Baltic PSPs that have been revealed in open sources highlight two notable risks:

- (i) Use of digital banks and payment intermediaries as entry points to collect and channel fraudulently obtained investor funds into opaque structures such as crypto exchanges or offshore accounts.<sup>50</sup>
- (ii) Identity theft and darknet trading with false identities and related accounts that are further used in criminal activity.<sup>51</sup>

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<sup>48</sup> FIU Lithuania (2025), Activity Results for 2024: p 13.

<sup>49</sup> FIU Estonia (2025), Yearbook for 2024: p 36; FIU Latvia (2025), Annual Report for 2024: p 23-24; FIU Lithuania (2025), Activity Results for 2024: p 13-15.

<sup>50</sup> Europol (2024) [9 arrests in EUR 645 million JuicyFields investment scam case - Unreported damages presumably much higher, with 186 000 persons victimised by massive Ponzi scheme | Europol](#); OCCRP (2025), [Co-Founders of a Lithuanian Crypto Coin Scooped up Luxury Property While Investors Were Left in the Lurch | OCCRP](#); OCCRP (2025) [Scam Empire: How Criminal Call Centers Make Millions From Investment Scams | OCCRP](#).

<sup>51</sup> Transparency International (2024), Unravelling the Web: [Money Laundering through E-Payments from Russia to the UK](#). This case also demonstrated organised criminal groups' infiltration into EMIs, combined with fragmented supervision of PIs/EMIs which may enable regulatory arbitrage and enable organised criminal groups to continue operations in other jurisdictions after losing licences in one jurisdiction.

Digital crime scalability has significantly accelerated since the COVID-19 pandemic, with automated fraud kits, phishing tools, and deepfakes enabling criminals to exploit online PSPs at scale. The EBA 2025 Opinion regarding ML/TF risks underscores that payment accounts remain the primary entry point into the EU financial system and are routinely abused, including via mule networks and synthetic or stolen identities, with elevated risk where remote onboarding is weak.<sup>52</sup>

One significant development to consider, particularly in relation to PI/EMI in Estonia and Latvia, is the introduction of the EU Instant Payments Regulation<sup>53</sup>. The instant payments market will become significantly more open and competitive, which is likely to benefit PIs and EMIs by stimulating innovation and inclusion in the payment ecosystem. From a risk standpoint, the regulation adds another layer of complexity because instant payments drastically reduce the time available for transaction monitoring, making real-time sanctions screening, PEP identification, and KYC verification more challenging. Faster payment flows also heighten risks such as smurfing and rapid micro-structuring, which necessitate near-real-time data aggregation, behavioural analytics, and automated anomaly detection.<sup>54</sup>

On the positive side, the EU Instant Payments Regulation establishes uniform availability requirements and enforces pricing parity, ensuring that all PSPs operate under the same legal and operational framework. This harmonisation facilitates supervision, cross-border cooperation, and information exchange among competent authorities.

Furthermore, the regulation introduces better time-stamped audit trails and standardised reporting requirements, enhancing traceability and accountability. The obligation to verify the consistency between the payee's name and IBAN is particularly beneficial from an AML perspective, as it strengthens CDD and helps prevent impersonation or misdirection of funds.

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<sup>52</sup> EBA 2025 Opinion: discussion of remote onboarding vulnerabilities, Box 7.

<sup>53</sup> European Central Bank (2024), [Instant Payments Regulation](#).

<sup>54</sup> EBA (2025), [Opinion of the European Banking Authority on money laundering and terrorist financing risks affecting the EU's financial sector](#); [SEPA Instant Payments: Real-Time Compliance Risks and the Urgent Need to Modernize](#)

## 2 Cross-Border Use of Payment Service Providers by Baltic Clients

### 2.1 Cross-use of Baltic Service Providers: Payment Statistics

When assessing the extent of PSP cross-usage among Baltic states, both client numbers and transaction volumes offer insights into the level of regional financial integration. The following overview presents the distribution of clients from each Baltic country within the FIs of their neighbours, along with turnover patterns.

#### 2.1.1 Estonian clients in Latvia and Lithuania

In **Latvian FIs**, the presence of Estonian clients is relatively limited – approximately 1,000 individual clients (almost all in CRIs, with only about a dozen in PIs/EMIs) and around 350 corporate clients. This situation has remained stable throughout the analysis period. In terms of transaction volume, private individuals accounted for around EUR 49 million in 2023, whereas legal entities generated turnover of approximately EUR 11.1 billion.

In contrast, the Lithuanian market shows a distinctly different trend. **Lithuanian FIs** served nearly 125,000 Estonian private individual clients (about 99% of Estonia's total population) as of 2024. The distribution across institution types is notable: CRIs account for about 108,000 clients, a sharp increase compared to around 15,000 in 2021, indicating a strong upward trajectory. Turnover has grown correspondingly – from EUR 123 million in 2021 to EUR 2.2 billion in 2024. This change has been caused by a single financial market participant, which offers wide-ranging services to EU residents and transitioned from an EMI licence to a banking licence in 2021: more than 98% of all Estonian private individual clients in Lithuanian CRIs are served by a single institution. The same pattern applies to turnover, with over 99% of the transaction volume generated through that one institution.

Conversely, Estonian private individual client numbers in Lithuanian PI/EMI institutions show a significant decline, dropping from about 133,000 in 2021 to 17,000 in 2024. Turnover in this segment has sharply decreased from EUR 3.8 billion (14% of the total turnover of all private individual clients) in 2023 (6 billion in 2021) to less than EUR 0.5 billion (1%). In 2024, a single PI/EMI accounts for about 44% of all Estonian private individual clients and 55% of the corresponding turnover. While this concentration is significant, it is less severe than in the CRI segment.

On the corporate side, there are nearly 23,000 Estonian legal entity clients in Lithuania (approximately 9% of all Estonian legal entities), the majority (13,000) in PIs/EMIs as of 2024. Both CRIs and PIs/EMIs display clear growth trends in this segment. Turnover in CRIs has increased from EUR 3.1 billion in 2021 to EUR 26.3 billion in 2024, and in PIs/EMIs from EUR 4.1 billion in 2023 to EUR 7.4 billion in 2024.

Concentration among credit institutions is again extremely high. The same Lithuanian CRI that dominates the private individual segment also accounts for 97% of all Estonian legal entity clients in Lithuanian CRIs, and 85% of the related turnover.

In the PI/EMI segment, one Lithuanian institution stands out for serving a larger number of Estonian legal entity clients compared with other major Lithuanian PI/EMIs, but the level of concentration is notably lower than in the CRI segment.

This institution holds 28% of Estonian legal entity clients in Lithuanian PI/EMIs and accounts for 44% of the associated turnover (based on the data of the second quarter of 2024).

### 2.1.2 Latvian clients in Estonia and Lithuania

**In Estonia**, Latvian clients number between 11,000 and 13,000, of which the vast majority (around 10,000) are private individuals, while corporate clients account for just over 1,000. A growth trend is observable, primarily driven by expansion in PIs/EMIs, while client numbers in CRIs remain relatively stable. Turnover has been increasing. In CRIs, private individuals' turnover rose from EUR 122 million in 2021 to EUR 145 million in 2023, and legal entities' turnover from EUR 5.7 billion to EUR 6.1 billion. Growth has been faster in PIs/EMIs, where private individuals' turnover increased from EUR 2 million to EUR 8 million, and legal entities' turnover from EUR 25 million to EUR 38 million.

Additional data collected from Estonian FIs regarding the top destinations of cross-border payments indicate that outgoing cross-border transactions of Latvian clients in Estonian CRIs are highly concentrated in Latvia. Other notable destination countries are Norway and Germany. The dominance of Latvia as a destination suggests that these Estonian-banked Latvian clients are using Estonian institutions as operational or payment hubs before repatriation or settlement in Latvia. The payments of Latvian clients in Estonian PIs/EMIs are almost entirely concentrated to Latvia, with Finland and Lithuania as the next most common destinations.

**In Lithuania**, the scale of Latvian clientele is considerably larger than in Estonia: nearly 458,000 private individuals (close to 25% of Latvia's total population) and around 14,400 corporate clients (about 7% of all Latvian legal entities). All client segments show clear growth. Turnover for Latvian private clients in Lithuanian CRIs reached EUR 6.1 billion in 2024, and EUR 14.3 billion for legal entities. In PIs/EMIs, turnover was EUR 1.2 billion for private individuals and EUR 4.4 billion for legal entities.

The structural patterns mirror those observed for Estonian clients. More than 99% of all Latvian private individuals in Lithuanian credit institutions are concentrated in a single CRI, and the same institution accounts for over 98% of the related turnover. The key difference compared with Estonia lies in scale: the number of Latvian private clients is more than three times higher, and their aggregate turnover is roughly 2.7 times larger.

Among corporate clients, concentration in CRIs is similarly high – about 92% of all Latvian legal entities in Lithuanian CRIs are served by this same institution, which also accounts for 69% of their turnover. The number of Latvian legal entity clients in CRIs is roughly half the number of Estonian corporate clients, and their turnover is correspondingly about half as large.

The PI/EMI segment shows weaker concentration among Latvian private individual clients: around 55% of them are served by two Lithuanian PI/EMIs. However, turnover is far more concentrated, with 84% generated in these same two institutions. The number of Latvian private clients in Lithuanian PI/EMIs is nearly six times higher than that of Estonian private clients. Their total turnover is also higher – about 2.6 times the turnover generated by Estonian private clients in this segment.

For Latvian legal entity clients, one Lithuanian PI/EMI accounts for about 60% of all such clients in the segment, and approximately 64% of associated turnover. As with the CRI segment, the number of Latvian legal entity clients in Lithuanian

PI/EMIs is somewhat lower than the number of Estonian corporate clients, and this difference is reflected also in turnover.

### 2.1.3 Lithuanian clients in Estonia and Latvia

**In Estonia**, Lithuanian clients amount to approximately 40,000, though this figure fluctuates significantly during the analysed period. The majority, both individuals and corporate clients, are concentrated in PI/EMI institutions, where rapid – albeit volatile – growth is evident. CRIs, by contrast, display stability or a slight downward trend. Turnover in CRIs reached EUR 63 million for private individuals and EUR 21.6 billion for legal entities in 2023. In PIs/EMIs, turnover amounted to EUR 36 million for private individuals and EUR 79 million for legal entities.

A notable observation concerns Lithuanian private individual clients within Estonian PIs/EMIs: in 2023, Lithuanian private individuals in PIs/EMIs accounted for nearly 58% (EUR 36 million) of the transaction volume of Lithuanian private individual clients in CRIs in Estonia. This share is significantly higher compared to clients from other countries and continues to rise.

Additional data from Estonian FIs regarding the top destinations of cross-border payments show that for Lithuanian clients in Estonian CRIs, transaction flows are highly concentrated in Lithuania, Germany, and the United Kingdom. Lithuania is the dominant destination each year except in 2022, when Germany briefly leads. This pattern is consistent with group-level treasury/PSP structures or merchant acquiring hubs using Estonian CRIs to service Lithuanian-linked commerce, with clearing to Lithuania, Germany, and the UK. Strong and accelerating growth is also visible in transactions to Lithuania for Lithuanian clients in Estonian PIs/EMIs. Lithuania remains the anchor destination, but Finland expands significantly, while Spain, Ireland, and Germany also surge in 2023, suggesting international expansion of the PSP customer base.

**In Latvia**, Lithuanian clients are far fewer, just under 4,000, with the majority (about 3,500) being individual clients of CRIs. Turnover figures are relatively stable: in CRIs, private individuals' turnover was EUR 158 million and legal entities' turnover EUR 12.4 billion in 2023; in PIs/EMIs, turnover was small: EUR 261,000 and EUR 682,000, respectively.

### 2.1.4 Key observations

Overall, cross-border financial activity in the Baltic states exhibits significant variation by jurisdiction and FI type, with implications for ML/TF risk exposure and supervisory focus. Among the three countries, Lithuania stands out as a hub, hosting by far the largest number of non-resident Baltic clients from both Estonia and Latvia compared to the other way around. Lithuanian PI/EMI statistics demonstrate that this sector acts as the volatile driver of cross-border engagement, attracting large numbers of clients but also experiencing rapid contractions.

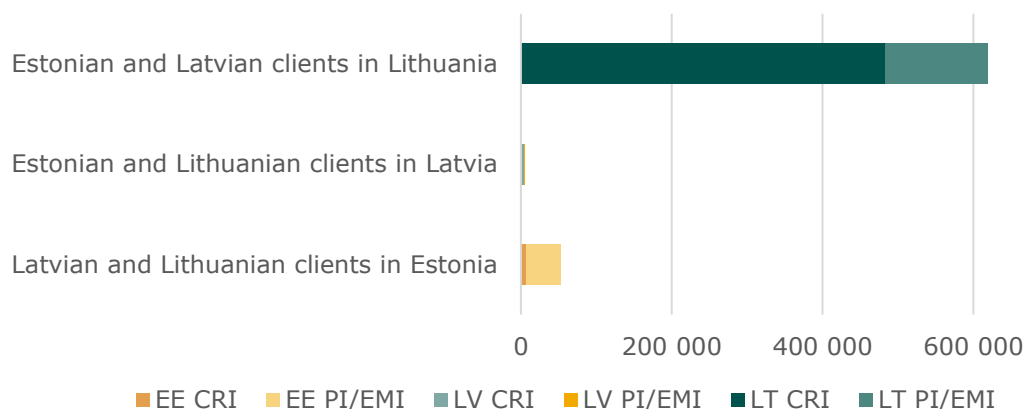
Estonian clients maintain a limited presence in Latvia but show strong growth in Lithuania, particularly in CRIs for private individuals and in corporate segments across both CRIs and PIs/EMIs. Similarly, Latvian clients are moderately represented in Estonia, with growth driven mainly by PIs/EMIs, while their presence in Lithuania is substantial, covering both individual and corporate clients and showing consistent growth in turnover.

Lithuanian clients are most active in Estonia, primarily through PIs/EMIs, where client numbers and turnover exhibit rapid but volatile growth, while their presence in Latvia is comparatively small and stable. Overall, CRIs tend to show stable or

increasing client numbers and turnover, particularly for corporate clients, whereas PIs/EMIs are more volatile, with both rapid growth and notable declines across markets.

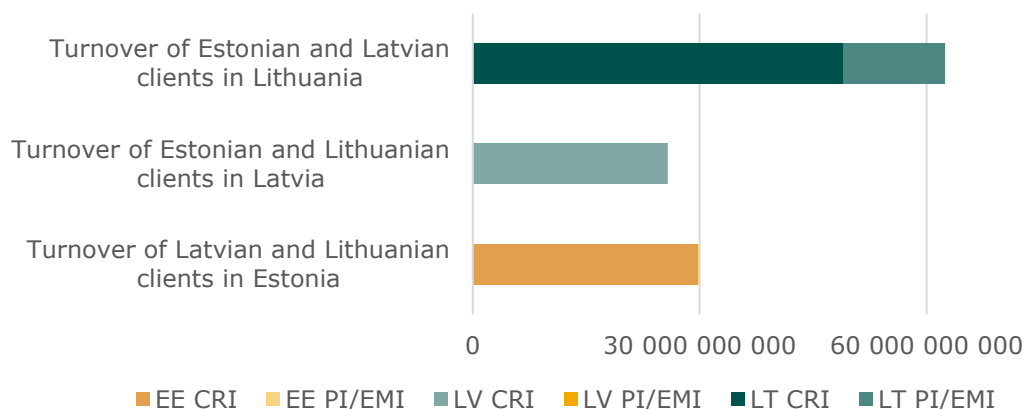
The trends described above are illustrated by 2024 data which provide insights into the client base from other Baltic countries (Figure 7) and the associated transaction volumes (Figure 8) within local financial institutions.

*Figure 7. Number of clients from other Baltic countries in local FIs (2024).*



*Due to differences in data collection, the number of clients of FIs in Estonia and Latvia is as of H1 2024, while the data for Lithuania is as of H2 2024.*

*Figure 8. Transaction volume of clients from other Baltic countries in local FIs (2024)*



*The data for Estonia and Latvia for 2024 are modelled based on turnover figures from previous periods and the H1 2024.*

Notably, Lithuanian data indicate that cross-border activity continues to expand. In 2024, the number of Estonian and Latvian clients served by Lithuanian CRIs rose from 432,000 in 2023 to 483,000, corresponding to a year-on-year increase of approximately 12%. Over the same period, the aggregate transaction volume linked to these clients more than tripled, increasing from around EUR 16.2 billion to EUR 48.9 billion. While client numbers grew steadily, turnover expanded at an even faster pace: transaction volumes associated with natural persons rose by roughly 2.5 times, whereas those linked to legal entities increased by nearly 3.2 times.

In addition, a significant difference is observed in PI/EMI sector turnover across the Baltic states. Based on 2023 data, the transaction volume generated by clients from other Baltic states and served by Estonian and Latvian PIs/EMIs represents around 1.5% of the corresponding turnover of other Baltic states' clients served by Lithuanian institutions.

From a concentration perspective, a remarkable feature is that a single large Lithuanian CRI accounts for approximately 99% of Estonian and Latvian private individual clients and their turnover, as well as around 95% of Estonian and Latvian corporate clients and 79% of their turnover. This highlights the highly centralised nature of cross-border Baltic activity within the Lithuanian CRI sector.

These dynamics have been influenced by client off-boarding in Estonia and Latvia. It was observed in Latvia's NRA (2023) that the trend of opening accounts abroad that increased sharply during the period 2020-2022 was partly driven by customers who left Latvian CRIs due to de-risking procedures.<sup>55</sup>

At the beginning of this decade, Estonian and Latvian regulators encouraged a strategic shift among CRIs toward domestic business models to mitigate systemic risks, especially those posed by high-risk non-resident clients, which had long represented a vulnerability<sup>56</sup>. Overall, the collected data suggests that off-boarding in CRIs was driven largely by risk profile adjustments by certain large market participants and targeting specific geographic client segments.

Between 2021 and 2023, Estonian CRIs terminated almost 130,000, and Estonian PIs/EMIs around 2,700 client relationships. Latvian CRIs terminated nearly 80,000 client relationships, Latvian PIs/EMIs about 50,000. In both Estonia and Latvia, off-boarding predominantly affected local clients<sup>57</sup>, followed by clients from non-EU countries, while customers from other EU member states remained largely unaffected. The strong impact of domestic PSPs' risk reduction on resident clients likely contributes to the increase in their account openings abroad.

## **2.2 Baltic Ultimate Beneficial Owners in Estonian and Latvian Payment Service Providers**

The analysis of payment transaction data for legal entities with Baltic UBOs in Baltic FIs shows a broadly predictable baseline: in each country's CRIs, the largest number of legal entity clients and the highest aggregate transaction volumes are associated with domestic UBOs – Estonian UBOs in Estonia, Latvian UBOs in Latvia, and Lithuanian UBOs in Lithuania.

When focusing on UBOs with PEP status, a clear concentration pattern can be observed. In Estonian CRIs, legal entity clients with Estonian UBOs who hold PEP status make up only about 1–2% of all legal entity clients with Estonian UBOs, yet they account for a significantly larger share of transaction volumes – from 14% of total turnover in 2021 to 23% in 2023. Similarly, Latvian UBOs with PEP status

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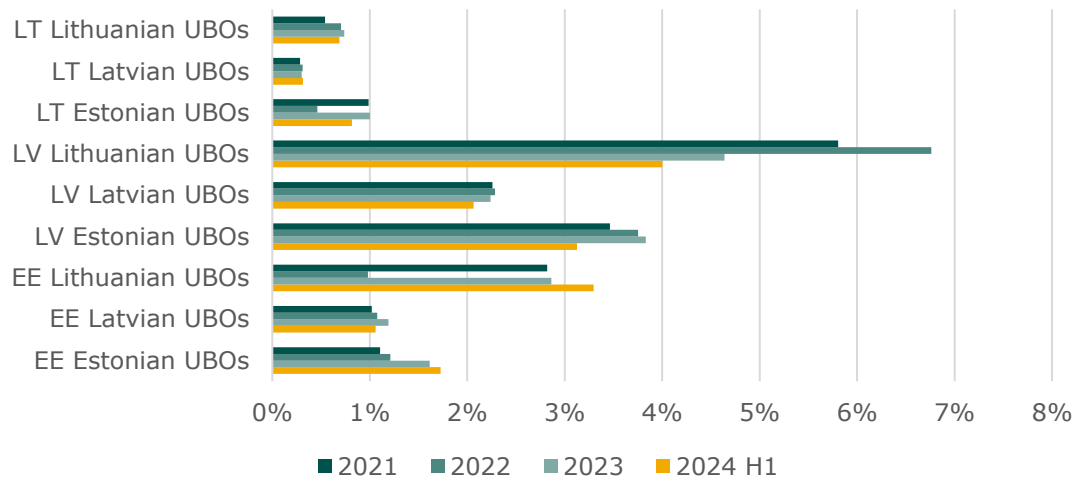
<sup>55</sup> FIU Latvia (2023), National ML/TF/PF risk assessment report for 2020–2022: para-s 1.6.17-1.6.18 and 12.3.3-12.3.6.

<sup>56</sup> In Lithuania, traditional banks also started to reduce their risks and restricted services for certain customer groups (e.g., NGOs). Therefore, one of the goals of the Lithuanian FinTech strategy was to foster competition in PSP market.

<sup>57</sup> In Estonia, 84% of business relationship terminations initiated by financial institutions during the reporting period involved Estonian individuals and legal entities, whereas in Latvia, this share was 94%.

within Latvian CRIs represent roughly 2% of such clients but generate around 16% of total turnover.<sup>58</sup>

*Figure 9. Percentage of legal entity clients in Estonian, Latvian, and Lithuanian CRIs whose Estonian, Latvian, or Lithuanian UBOs hold PEP status, relative to all legal entity clients with Estonian, Latvian, or Lithuanian UBOs*

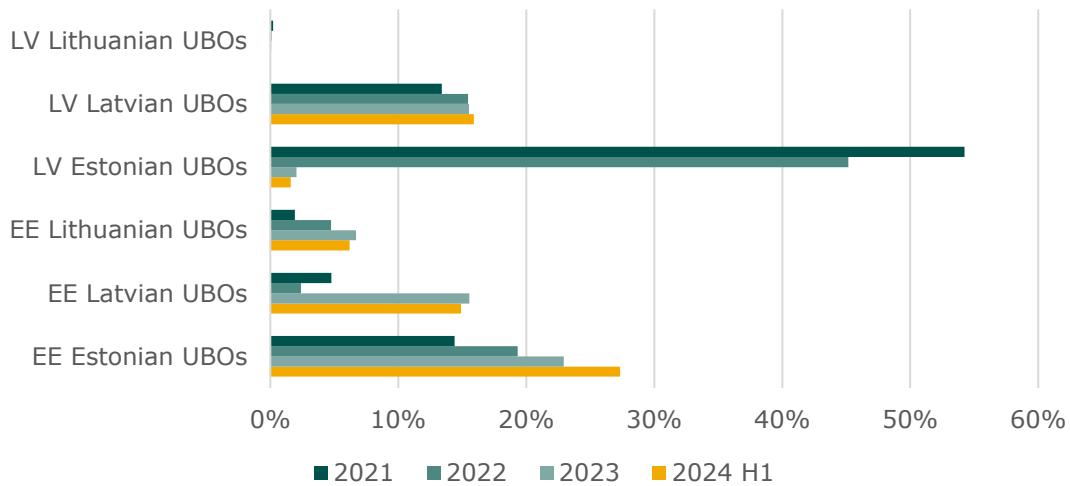


A similar imbalance can be seen with Latvian UBOs holding PEP status in Estonian CRIs: although they represent just 1% of relevant legal entities, their share of turnover climbed sharply from 5% in 2021 to 16% in 2023. This pattern is not replicated for Lithuanian UBOs with PEP status in Estonian CRIs, where both proportion of such clients and their turnover remain comparatively low.

In Latvian CRIs, Estonian UBOs with PEP status also show high transaction volume. While they make up only 3–4% of relevant legal entities, their turnover share was around 50% in 2021–2022 before collapsing to 2% in 2023.

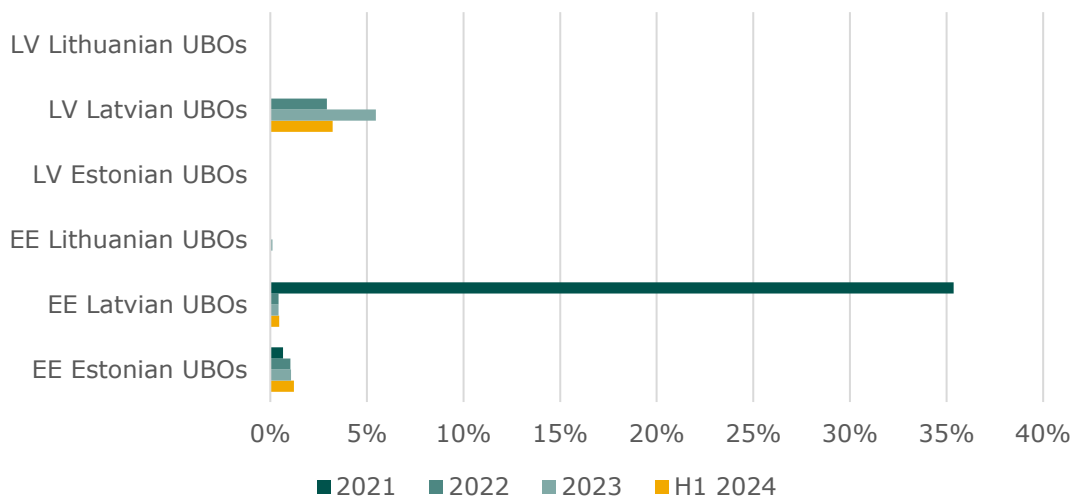
<sup>58</sup> The relatively high percentage is primarily attributable to certain large state-owned enterprises, where members of the management and supervisory boards are classified as PEPs. As a result, credit institutions often record board members or other senior officials of such entities within the UBO framework.

Figure 10. Share of turnover generated by legal entity clients in Estonian, Latvian, and Lithuanian CRIs whose UBOs from these countries hold PEP status, relative to the turnover of all legal entity clients with Estonian, Latvian, or Lithuanian UBOs



The outlier is also absent in the PIs/EMIs sector, with one exception: in 2021, Latvian UBOs with PEP status accounted for 35% of total turnover of legal entities with Latvian UBOs in Estonian PIs/EMIs, despite their small numbers. This concentration, however, dropped rapidly to near-zero by 2023.

Figure 11. Share of turnover generated by legal entity clients in Estonian and Latvian PIs/EMIs whose UBOs from these countries hold PEP status, relative to the turnover of all legal entity clients with Estonian, Latvian, or Lithuanian UBOs



These findings suggest that transactional activity is largely concentrated among a limited number of legal entities connected to Baltic PEPs, particularly in cross-border transactions. Given the scale of this activity relative to the small client base, further analysis and enhanced supervisory attention may be appropriate to better understand potential AML/CFT risks and to evaluate the effectiveness of existing monitoring measures.

## 2.3 Cross-Use of Payment Accounts: Money Laundering Risk Assessment

As part of the current study, a targeted analysis of STRs was undertaken by Estonian and Latvian FIUs, with a particular focus on transactions involving accounts held in Lithuanian and Latvian PSPs by Estonian individuals and legal entities, as well as accounts held in Lithuania and Estonia by Latvian individuals and legal entities. This focus was selected in light of the study's objective to explore jurisdiction-specific trends in suspicious cross-border financial activity. As an additional consideration, it also made it possible to evaluate the reporting regime's relative exposure to the use of foreign accounts.

### 2.3.1 Trends Identified through Suspicious Transaction Report Data from Latvia and Estonia

Between 2021 and 2024, the number of STRs that reporting entities submitted to FIU Latvia increased from 5,715 in 2021 to 6,384 in 2022, before slightly decreasing to 6,108 in 2023. In 2024, 5,501 STRs were received. This reflects an overall decline of approximately 10% from 2023 levels. This reduction is attributable to two main contributing factors.

One such factor is the reduced reporting from CRIs undergoing liquidation. Additionally, a decrease was observed in STRs submitted in relation to specific categories of suspected criminal activity, including tax-related offences, sanctions evasion, and the provision of false or incomplete information concerning the ownership or UBO of assets. There has also been a reduction in STRs reporting autonomous ML cases, where the suspicion is not directly linked to a known predicate offence.

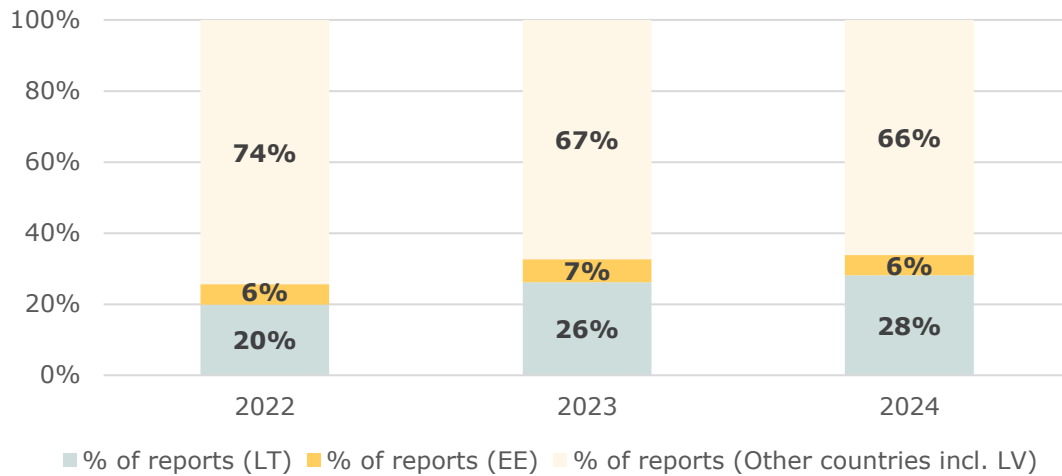
Another factor influencing the reduction in STRs is the enhanced quality of reporting, supported by FIU Latvia through targeted feedback, guidance, and capacity-building initiatives. Reporting entities are increasingly providing STRs that are structured, risk-based, and grounded in substantiated suspicions, rather than reporting on vague or uncorroborated indicators. This improved risk awareness and understanding enables entities to implement more effective risk mitigation measures, resulting in a lower volume of STRs while maintaining higher analytical value.

In contrast, reporting related to property-related offences, particularly fraud, has increased, indicating an evolving threat landscape and possibly a greater abuse of payment systems for illicit gain. This shift may also reflect improved detection capabilities and heightened attention to fraud-related typologies among reporting entities.

The current analysis of **intelligence in Latvia** reveals increasing interconnectivity among the Baltic states in terms of transactional exposure, as well as jurisdiction-specific divergence in reporting patterns. The STRs referencing **Lithuania** have exhibited a sustained upward trend (Figure 12) between 2022 and 2024, indicating a growing reporting volume, which may point to an elevated risk exposure and reporting practices by reporting entities in relation to financial flows involving that jurisdiction.

Conversely, the volume of STRs associated with **Estonia** remained largely stable over the review period, with only small year-on-year changes: 5.7% in 2022, 6.5% in 2023, and 5.6% in 2024 (Figure 12). These findings highlight potential emerging risk dynamics linked to Lithuania and warrant continued monitoring and risk-based supervisory attention.

Figure 12. Proportion of STRs received by FIU Latvia referencing accounts in Lithuania, Estonia and other countries (2022–2024)



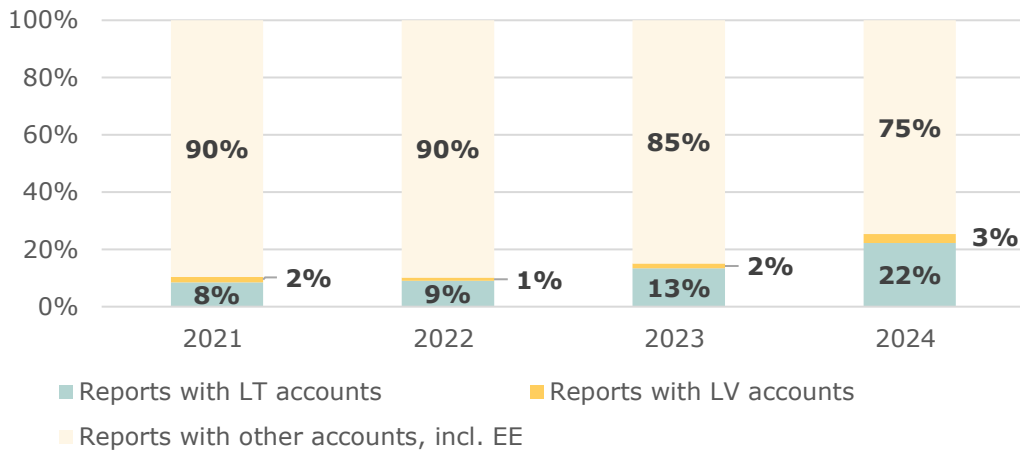
The analysis of **intelligence in Estonia** (transaction data of STRs and foreign information requests related to transactions on payment accounts for the period 2021-2024) indicates a visible declining trend of STRs related to payment accounts over the observed period. In contrast, the amounts reflected in this transaction data have been on an upward trend.

These seemingly contradictory trends are due, on the one hand, to a significant decrease in the number of fraud reports related to the provision of correspondent banking/BaaS and VIBAN services to non-resident clients. On the other hand, the volume of suspicious transactions reflected in the STRs have increased, mainly because the reporting entities in Estonia have considerably improved their reporting quality over the reporting period, both in terms of content and metadata: reports have become more substantive, timely, and relevant suspicious transactions are described in greater detail within the reports and reflected more thoroughly in the metadata.

Estonian STRs referencing **Lithuanian accounts** show steady and significant increase, with the total number of relevant reports nearly doubling from 2021 to 2024. STRs involving **Latvian accounts** show a fluctuating pattern: after a decline in 2022, reporting levels have returned to 2021 levels in 2024. However, the share of STRs involving Latvian, as well as Lithuanian accounts within all Estonian STRs has shown an overall upward trend throughout the period (Figure 13).

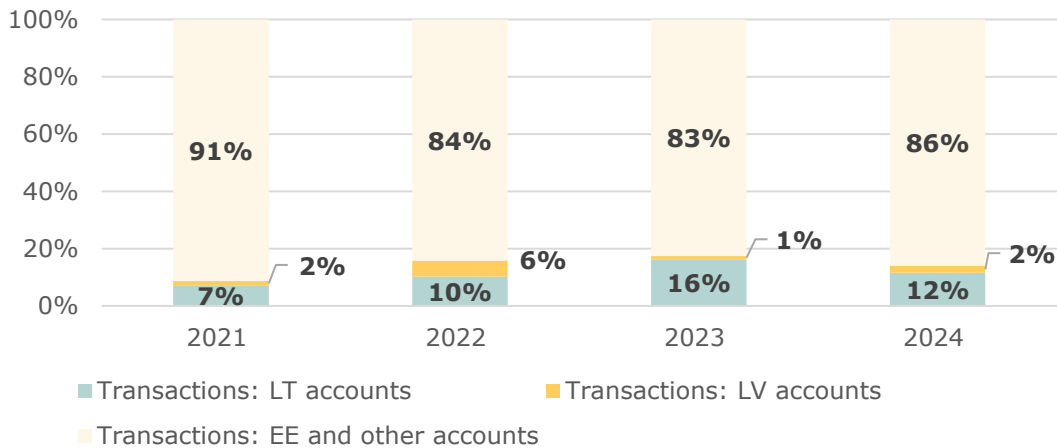
12% of all Estonian STRs related to payment account transactions reference accounts held with Lithuanian institutions, with less than half (39%) held by Estonian individuals or legal entities. By comparison, only 1% of accounts mentioned in STRs are Latvian, and very few pertain to Estonian clients. These patterns align with payment statistics, which show that Estonian individuals and companies often hold foreign accounts in Lithuania but relatively rarely in Latvia (please refer to Chapter 2.1.1).

Figure 13. Proportions of Estonian STRs concerning foreign accounts of Estonian individuals and legal entities held with foreign FIs (2021–2024)



The total value of cross-border transactions reported to FIU Estonia in connection with foreign accounts held by Estonian individuals and legal entities increased significantly in 2022 and 2023. In 2024, these amounts declined markedly. This drop was largely driven by a decrease in transaction volumes of Estonian legal entities, which historically accounted for 80–90% of foreign-linked flows in FIU Estonia intelligence but fell to less than three-quarters in 2024. The reasons for this decline require further analysis.

Figure 14. Proportions of transaction values reported to FIU Estonia on foreign accounts of Estonian individuals and legal entities held with foreign FIs (2021–2024)



It is notable that 50% of all Estonian STRs related to Estonians’ foreign accounts between 2021 and 2024 were Lithuanian accounts of Estonian entities and individuals, the majority was related to accounts held with Lithuanian FinTechs (a digital bank and several EMIs). Other more relevant jurisdictions where Estonian entities held their payment accounts were Belgium, Malta, the United Kingdom, Austria, and Germany.

FIU Estonia’s intelligence suggest that crypto-related risks may be more pronounced in Lithuanian FinTech PSPs. On average, approximately 7% of Estonian STRs involving payment account transactions also include cryptocurrency-related activity. However, this share has recently increased: by 2024, around 12% of relevant reports involved VAs. For Lithuanian accounts, the proportion is higher,

with roughly 18% of STRs related to payment accounts also involving cryptocurrency transactions. In contrast, Estonian reports concerning Latvian accounts very rarely involve cryptocurrency-related activity.

### 2.3.2 Predicate Offences and Key Money Laundering Typologies

The primary predicate offences for ML in Estonia, Latvia and Lithuania are fraud, tax evasion, and sanctions circumvention attempts. These offence categories dominate both STRs and case-based intelligence. Intelligence from foreign FIUs corroborates this picture: fraud-related financial flows, including online investment scams and virtual environment fraud, represent the most frequent trigger for international requests received by Baltic FIUs.

**Analysis for Latvia** shows that STRs related to Lithuania and Estonia generally follow the same overall pattern as national reporting. For Estonia, the main predicate offences have shifted from tax-related offences to fraud, which has become the most reported predicate offence since 2023. At the same time, STRs involving possible sanctions evasion have almost tripled, suggesting higher risk and a need for closer monitoring of transactions linked to this country.

For Lithuania, the main reported offences continue to involve tax offences, property-related crimes (especially fraud), and autonomous ML, but in 2024, fraud became the most common category. Reports of sanctions-related activity have also increased in recent years in relation to Russia's war against Ukraine. These findings point to evolving risk patterns in both jurisdictions and highlight the need for ongoing supervisory attention and targeted risk-mitigation measures.

The following key typologies were identified in STRs received by FIU Latvia regarding the use of Lithuanian and Estonian accounts:

- The majority of STRs highlighted suspicions over the lack of a clear, verifiable explanation for the origin of funds or the economic purpose of the transaction. In several cases, customers failed to provide documentation or submitted vague justifications that could not be independently validated. This behaviour raised suspicion about the legitimacy of the financial flows and the potential concealment of illicit proceeds.
- STRs frequently described payment flows in which funds were received into an account and quickly transferred out, often on the same day, without a discernible business rationale. These fast-moving transactions are indicative of transit activity used for layering purposes or to obscure the audit trail.
- Several reports pointed to the imitation of legitimate business activity. Indicators included irregular account turnover, inconsistent transaction volumes, or payment patterns not aligned with the customer's declared industry or operational profile.
- Increasing number of STRs referencing both Lithuania and Estonia involve suspected fraud-related transactions, including misuse of corporate accounts, false invoicing, and possible layering through international transfers.
- STRs indicate the continued use of foreign accounts and layered ownership structures to obscure BO and facilitate tax evasion, highlighting persistent vulnerabilities in cross-border financial activity.

- Consistent reporting of autonomous ML across both jurisdictions highlights ongoing misuse of the financial system to obscure the origin of illicit funds, even where no specific predicate offence is clearly identified.

**Analysis for Estonia** highlights that the assumed ML predicate offences involving Lithuanian and Latvian accounts are predominantly various types of fraud, followed by tax crimes. There are also relatively many references to cash transactions, transit flows (potential layering), as well as to the use of payment intermediaries and cryptocurrencies, money mules, shell companies and frontmen.

In 2024, the absolute number of Estonian STRs referencing accounts in Lithuania in connection with fraud showed a moderate decline compared with the 2023 peak. In contrast, references related to suspected tax offences involving Lithuanian accounts increased significantly in 2024. With respect to Latvian payment accounts, Estonian reports indicate a gradual rise between 2021 and 2024 in both fraud- and tax-related suspicions.

As per Estonian intelligence, tax fraud proceeds have been often layered across accounts in multiple jurisdictions, including Lithuania, Belgium, and Bulgaria, before being withdrawn from Lithuanian EMI accounts via local payment agent. In Estonian intelligence, cash-outs are rather characteristic to the Estonian users of the services of a Lithuanian EMI and a digital bank.

In connection with the use of foreign payment accounts by Estonian individuals and entities, Estonian CRIs point out primarily the following typologies:

- Various types of fraud and the movement of proceeds from fraud (e.g., to Lithuanian PSPs).
- Activity indicative of concealing and moving proceeds from tax crimes and tax evasion, including business-related transfers made through a private individual's account and repeated cash withdrawals (most often by construction and labour hire companies).
- Cross-border transit transactions between Lithuanian, Estonian and Latvian accounts.
- Unusual cash transactions (e.g., cash deposits and onward transfers to Lithuanian and Latvian PSPs).
- Use of frontmen/straw persons.
- Correspondent relationship chains (incl. the nesting of foreign VASPs) and the use of virtual sub-accounts (VIBANs) that obscure payer and payee details, especially when integrated with cryptocurrency platforms.

Estonian STR data on payment account transactions indicate that, on average, about one fifth of reports concern transactions where the sender's and recipient's names coincide. Over the analysed period, such transactions accounted for 11% of the total turnover of all suspicious transactions on average.

Estonian Tax Authority has observed that foreign PI/EMI accounts can be misused to obscure audit trails in cross-border VAT fraud. The key vulnerability—funds can be misdirected or the true beneficiary obscured because the payee's name on a payment order may not reflect the actual account holder—is mitigated by the EU Instant Payments Regulation, which requires verification of consistency between the payee's name and IBAN to help prevent impersonation and misdirection of funds.

## Conclusion and Key Takeaways

Since the late 2010s, the Baltic States have significantly reinforced their AML/CFT frameworks through capacity building of FIUs, risk-based supervision, UBO registries, enhanced cross-border cooperation, and PPP. These measures have collectively reduced the financial sector's exposure to illicit finance. However, the rapid growth of digital payments, VAs, and ongoing geopolitical pressures particularly stemming from Russia's war against Ukraine, continue to present risks that have to be managed appropriately. Criminal networks increasingly exploit emerging technologies to conceal the origins of funds, while efforts to circumvent international sanctions further strain supervisory resources.

Traditional CRIs continue to surpass PIs/EMIs in both scale and systemic importance, underscoring that while the FinTech sector is innovative and expanding rapidly, banks remain the backbone of the financial system. Nonetheless, this rapid FinTech expansion amplifies supervisory complexity and highlights the need for robust oversight mechanisms to mitigate systemic and ML risks.

The Baltic financial sector is digitally advanced, closely integrated with Nordic banks, and hosts a growing FinTech ecosystem. Despite these shared features, each country exhibits distinct market structures and ML/TF risk profiles.

- Due to the increase in the number of credit institutions and PI/EMIs, Lithuania faces ML/TF risks associated with the growth of its digital banking and PI/EMI sectors, while the regulatory framework continues to strengthen. Lithuania has undertaken significant efforts to mitigate risks and has allocated substantial resources and strengthened the supervision of the FinTech sector.
- Latvia's reforms and financial sector restructuring have reduced non-resident exposure and lowered overall ML risk.
- Estonia's financial system remains dominated by CRIs, with residual risks concentrated in cross-border and VA related activities (correspondent banking), prompting cautious regulation and targeted supervision.

In the Baltic region, CRIs still account for the majority of both clients and transaction volumes, while PIs and EMIs continue to serve more limited market segments. Private individuals represent the largest share of customers, whereas legal entities generate most transaction activity. Average payment values are highest in Estonia and Latvia, particularly among non-resident legal entity clients, with one Estonian digital bank standing out for providing correspondent services to non-resident FAs.

Lithuania shows comparatively greater PI/EMI market penetration. The Baltic payments landscape is also defined by substantial transaction volumes processed through Lithuanian digital banks and PIs/EMIs, positioning Lithuania as a regional hub for cross-border payments also for Estonian and Latvian clients.

Between 2021 and 2023, Estonian and Latvian PSPs implemented targeted client off-boarding strategies, especially for high-risk and non-resident clients, thereby reshaping risk profiles and reducing systemic vulnerabilities. The risk reduction and portfolio adjustments of domestic PSPs also prompted a migration of clients to Lithuanian PSPs, with a particularly large relocation observed among Latvian clients. Their use of services of a single Lithuanian digital bank dominates overwhelmingly, both in terms of the number of clients and their transaction volumes.

Analysis of STR data from FIUs in Estonia and Latvia reveals consistent regional typologies in the use of cross-border payment accounts, with accounts held with Lithuanian FinTech PSPs clearly standing out in the FIU intelligence. Fraud schemes, tax evasion, and attempts to circumvent sectoral EU sanctions remain the dominant ML risks, frequently facilitated through digital banks, EMIs, and VASPs. The value and complexity of reported transactions have grown, reflecting both improved reporting quality and the evolving nature of financial crime. The continued use of transit accounts, shell companies, strawmen, and VIBAN structures complicates the identification of beneficial owners and the tracing of illicit funds.

### **Main risk factors in the Baltic region:**

- Within parts of the region, high payment volumes from non-resident client groups.
- Non-selective client off-boarding by traditional banks leading to risk migration toward less-regulated sectors.
- Embedded finance/BaaS models in digital payment services, including provision of correspondent banking services to cryptocurrency platforms.
- “Digital acceleration” that enhances digital crime, as well as rapid FinTech growth that might outpace analytical and supervisory capacity.
- Inconsistent statistical data collection and reporting standards across the Baltic region.

Spillover risks to Lithuania arising from client relocations in the Estonian and Latvian financial sectors are present, but the analysis of financial statistics and STRs indicates that these risks are more pronounced in the Latvia–Lithuania context. Conversely, the spillover of risks from Lithuania's larger FinTech sector to Latvia and Estonia is limited, although some risk transmission may occur due to correspondent banking relationships between Baltic financial institutions.

The interconnectedness of shared clients, overlapping UBO structures, and cross-use of PSPs in the Baltic region enables both legitimate businesses and illicit actors to move funds seamlessly across borders. Without harmonised payment service data reporting across CRI and PI/EMI sectors, clear UBO transparency, aligned regulatory approaches, continued effective supervisory cooperation, data-driven risk monitoring, and sustained FIU-to-FIU collaboration, Baltic countries remain exposed to risks related to ML, fraud, tax offences, and sanctions evasion.

### **Recommendations and Potential Focus Areas**

To reinforce the Baltic AML/CFT framework, targeted measures are needed across data collection, typology analysis, supervisory practices, and regional coordination. The following recommendations aim to enhance risk detection, improve cross-border oversight, and foster effective cooperation:

- Develop joint regional indicators for PSP-related STRs.
- Conduct detailed studies on sector-specific ML/TF typologies, particularly focusing on the digital banking, embedded finance, PI/EMI and VA segments.
- Prioritise the regular development and dissemination of typologies and risk indicators to FIs, supervisory authorities, and LEAs, including timely sharing of emerging trends, red flags and methods.

- Enhance staff training within competent authorities and obliged entities on ML/TF typologies, risk assessment processes, and the effective use of analytical tools including network and pattern analysis, particularly for cross-border transactions, to strengthen detection and investigative capacity.
- Strengthen data collection and comparability across the Baltic region through more consistent reporting on CRI and PI/EMI client bases and service volumes, complemented by enhanced exchange of experience and regional best practices<sup>59</sup>, recognising that full standardisation is not practical given differing client segments.

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<sup>59</sup> For example, the BoL's PI/EMI reporting framework, the Bank of Estonia's CRI payment statistics, and the Bank of Latvia's initiatives to strengthen supervisory data exchange and analytical cooperation.