

# Progress of Latvia in Combatting Money Laundering and Financing of Terrorism

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Money laundering and financing of terrorism has been very high on political agenda of Latvia in recent years. Many of the reforms have been outlined in the Mutual evaluation report, but our efforts to strengthen AML/CTF system in Latvia have been continued also after on-site visit of Moneyval expert team. Latvian government is aware of continuous need to further strengthen national efforts in area of AML/CTF, and acknowledges the recommendations arising from mutual evaluation process as a valuable input for the future improvements. Being aware of still existing shortcomings of the AML/CTF system in Latvia highlighted by the case of ABLV Bank the government of Latvia continues to be highly committed for further reforms.

## Effective de-risking of financial sector

In the last months in light of recognized need to substantially decrease risks in the financial sector new amendments have been introduced in the Law on the Prevention of Money Laundering and Terrorism Financing effectively forbidding banks and payment institutions from cooperation with shell entities which have no real economic activity and financial statements. The statistics gathered by the Financial and Capital Market Commission indicates that the deposits of foreign customer base continue to decrease (as on 30.05.2018. foreign customer deposit proportion (incl. ABLV bank) has substantially decreased and now constitutes 29.3% of the total amount of bank customer deposits).

## Better access to information on beneficial owners

In only five months since the start of operation of the beneficial ownership register, the Republic of Latvia has reached a considerable progress regarding disclosure of beneficial ownership information. Almost 70% from 10 000 Limited Liability Companies who don't have shareholders natural persons has submitted information about their beneficial owners. The information submitted so far clearly indicates that in the most cases our presumption that beneficial owners of Limited Liability Companies are their registered shareholders was correct, as almost 92% of the newly registered Limited Liability Companies in accordance with the new requirements indicates exactly their legal shareholders as beneficial owners.

## More effective investigation and prosecution

Since the on-site visit the Economic Crime Combat Department of the State Police has handed over several criminal cases for prosecution in which investigation has been completed. These cases include but are not limited to the cases with the involvement of bank employees in laundering of the proceeds from crime, as well as several "money mule" cases, and the cases on "defrauding luxury cars and VAT". Latvia is putting special attention the cases of "stand alone" money laundering, and at the end of 2017 and the beginning of 2018 the State Police has initiated three criminal cases for alleged "stand alone" money laundering.

The fight against laundering of the proceeds from criminal activity and asset recovery have been set as priorities in the work plan of State Policy for 2018. Already in first 4 months of this year 28 criminal cases have been initiated, 2 criminal cases have been transferred for criminal prosecution and apart from that 4 criminal cases have been handed over to foreign countries for prosecution. Since the beginning of the year Asset Recovery Office has ensured cooperation in 27 foreign cases (within 4 months of 2017 – 21 case) as well as received requests within the framework of 22 national investigations (compared to 5 cases within the same period last year). In this period State Police has imposed attachment on alleged proceeds from crime in the value of

24.5 mil. EU and 1 mil EUR has already been recognised as the proceeds from criminal activity by court.

Highly aware of the need to increase effectiveness of investigation and prosecution in the cases of the money laundering within first six months of 2018, competent authorities of Latvia have achieved significant progress in this field resulting in four court judgments in the cases of third party laundering, where predicative offence is abroad.

The recent amendments in AML Law also foresee establishing of Financial Crime Investigation Special Task force, enabling effective cooperation of private and public sector in financial intelligence and investigation of financial crimes, and we expect that it will also further improve effectiveness of investigation.

### Strengthened framework for targeted financial sanctions

Amendments in the Law on Sanctions have been adopted by the Parliament , improving legal basis for targeted financial sanctions on various issues, inter alia:

- the scope of persons subject to TFS obligations widened, including an explicit provision that all natural and legal persons must obey by the provisions of the law;

- additional powers given to the Financial and Capital Market Commission as well as State Revenue Service and Consumer Rights Protection Centre to impose administrative sanctions and other measures for inconsistencies in compliance systems regarding targeted sanctions.

- Control Service added to the list of competent authorities in order to make the legal basis for proliferation and terrorist financing sanctions more concise,

- the powers of the Control Service to freeze funds indefinitely envisaged.

We believe that these efforts demonstrate our willingness to fully comply with FATF Guidelines and to effectively fight against money laundering and financing of terrorism on continuous basis.

<https://www.fm.gov.lv/en/progress-latvia-combatting-money-laundering-and-financing-terrorism>